BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAI'I

In the Matter of the Application of HAWAI'I ELECTRIC LIGHT COMPANY, INC. For Approval of General Rate Case and Revised Rate Schedules and Rules	))))))))	Docket No. 2015-0170

HAWAI'I ELECTRIC LIGHT COMPANY, INC.
2016 TEST YEAR

DIRECT TESTIMONIES AND EXHIBITS

Book 6

HELCO T-13
DOCKET NO. 2015-0170

TESTIMONY OF
LEONARD E. SMOTHERMON

ON BEHALF OF
HAWAI'I ELECTRIC LIGHT COMPANY, INC.

Subject: Pension Benefit Expenses

SUMMARY

Pension Benefit Expenses

Hawai'i Electric Light Company, Inc. ("Hawai'i Electric Light" or "Company") relies on a specialized workforce with significant recruiting, training, development and retention requirements in order to provide customers with essential utility services. A total compensation package is needed to attract and retain a workforce to provide for efficient delivery of these services while controlling cost to customers and providing a reasonable return to investors.

Hawai'i Electric Light is a Participating Subsidiary in the Retirement Plan for Employees of Hawaiian Electric Industries, Inc. and Participating Subsidiaries. The accounting methods and assumptions used by Hawai'i Electric Light for its pension plans are consistent with the Company's historical practice and appropriate under the various guidelines established by the applicable regulatory entities.

According to recent surveys regarding attitudes toward benefits, defined benefit retirement plans are still an effective means of attracting and retaining a workforce. The defined benefit pension plan can be used in conjunction with other pay and benefit programs as an efficient tool for attraction and retention of employees as well as an effective workforce planning tool to help maintain a desired workforce profile by retaining employees to desired age, then providing the means for employees to retire. Proper workforce management assists in maximizing the return on investment in employees related to recruitment and training.

Hawai'i Electric Light has made changes to the retirement program that will reduce cost and volatility prospectively while retaining a competitive edge in recruitment and retention and without disrupting the current employees.

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INTRODUCTION

Q. Please state your name and business address.

A. My name is Leonard E. Smothermon. I am a Senior Consulting Actuary with Willis Towers Watson located at 737 Bishop Street, Suite 2700, Honolulu, Hawaiʻi 96813-3214. I am testifying on behalf of Hawaiʻi Electric Light Company, Inc. ("Hawaiʻi Electric Light" or "Company").

Q. Please describe your professional relationship with the Hawaiian Electric Companies.[1]

A. I provide actuarial consulting services related to the pension and retiree medical plans sponsored by the Hawaiian Electric Companies. These services include: preparation of annual valuations to determine funding levels and financial reporting information required of the plans; preparing cost estimates related to changes in plan design, both actual and proposed; assistance with the determination of assumptions to be utilized to estimate cost and obligations; and analysis and support related to plan design issues, union negotiations and rate cases.

Q. Have you previously testified on pension plan funding before utility regulatory commissions?

A. Yes. I submitted testimony in HECO T-18 for the abbreviated Hawaiian Electric 2014 test year rate case in Docket No. 2013-0373. I submitted supplemental testimony in HECO ST-15D in Docket No. 2010-0080, Hawaiian Electric's 2011 test year rate case, and HECO ST-13A in Docket No. 2008-0083, Hawaiian Electric's 2009 test year

[1] The "Hawaiian Electric Companies" or "Companies" are Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawaiʻi Electric Light Company, Inc. ("Hawaiʻi Electric Light") and Maui Electric Company, Inc. ("Maui Electric").

rate case. I also submitted supplemental testimony in HELCO ST-11B in Hawai'i Electric Light's 2010 test year rate case (Docket No. 2009-0164) and MECO ST-12A for Maui Electric's 2012 test year rate case (Docket No. 2011-0092).

Q. Please summarize your educational background and professional experience.

A. I received a Bachelor of Science degree with Academic Distinction and Highest Honors from Texas A&M University-Commerce. I have over 30 years of experience consulting with organizations on the design and financial considerations of their pension programs. I am an Associate of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, a Member of the American Academy of Actuaries and an Enrolled Actuary under the Employee Retirement Income Security Act of 1974 ("ERISA"). HELCO-1300 provides my educational background and professional experience.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. My testimony supports the request of Hawai'i Electric Light to recover in electric rates the cost associated with its pension and other postretirement employee benefits ("OPEB") plans. I do this by:

- Demonstrating that defined benefits plans are prevalent among utilities; and
- Explaining that without a market competitive, effectively designed retirement program, including the use of a defined benefit plan, the Company would be disadvantaged in retaining and recruiting the highly skilled workforce it needs to provide safe, reliable electric service.

In addition, I will demonstrate that the accounting methods and assumptions the Company used to calculate its pension cost are consistent with its historical practice and appropriate under various guidelines established by the applicable regulatory entities. I do this by providing supporting information related to current and projected cost related to the pension and OPEB plans.

Finally, my testimony includes what the Companies are doing to control pension and OPEB costs, factors contributing to the test year level of cost, how the factors have changed since the prior rate case and an outlook for expected future cost.

Q. Why are pension and OPEB plans important to this Company and the utility industry?

A. The utility industry relies on a highly-trained, technical bargaining and non-bargaining workforce to provide service to its customers. The utility workforce is generally older which brings with it the need to effectively manage work force transition. These are unique attributes of the utility industry.

Due to the industry's need for an educated and skilled workforce that is on average older than workforces in other industries, the utility industry is also presented with significant recruiting, training, development and retention challenges. Offering a defined benefit plan as part of a market-competitive retirement program is commonplace among utilities because it helps with retention, recruiting, and workforce planning by allowing for more orderly retirement patterns.

As discussed further in my testimony, the Company's defined benefit plans are consistent with those offered by others in the utility industry. As discussed by Mr. Liuone Faagai in HELCO T-12, the Company needs to continue providing this form of a retirement opportunity in order to avoid losing its highly-skilled employees to other employers, to be able to attract talented individuals to work for the Company, and to provide a mechanism for a transition of the workforce by providing incentives for the highly experienced employees to share their knowledge with younger generations in advance of retirement.

The Company has implemented pension design changes to help control costs. The Company's transition to a less valuable defined benefit program in conjunction with implementing a match on employee deferrals to the defined contribution plan, for employees hired on or after May 1, 2011 is consistent with industry practice of making pension plan changes applicable to new hires in order to promote stability in the workforce while providing an orderly transition to the next generation of employees.

In this testimony, I explain Hawai'i Electric Light's pension and OPEB benefit programs and costs. The testimony includes a summary of plan design changes that took effect in May 2011 and the effect on cost since that time. I also discuss pension and OPEB cost associated with the retirement program and cost sensitivity to underlying market conditions including selection of the discount rate. Discussion includes outlook regarding cost beyond 2016.

A comparison of cost projected for 2016 compared to 2010, including information on cost during the intervening years of 2011 and 2015 is provided which will demonstrate that costs should stabilize from an economic point of view. Please see HELCO-1301 and HELCO-1302.

Finally, I will discuss assumptions and methods underlying the determination of cost, that these assumptions and methods are consistent with the Company's historical practice, and that divergence from such standard, actuarial practices is not prudent and would raise concern regarding financial reporting.

PENSION AS PART OF THE TOTAL COMPENSATION PACKAGE

Q. Why do companies offer retirement benefits?

A. Employers offer retirement programs to facilitate the overall management of a workforce, including attracting, retaining and retiring its employees. The specific designs of retirement benefits are driven by the overall workforce strategy of the company. Employers will determine the appropriate level of benefits and then design plans they think best fit the preferences of the workers they are trying to attract and retain.

Q. How do retirement benefits help address retention issues?

A. Retaining employees is critical in industries that invest significant resources training and developing specialized workforces, like utilities. Long-term employee retention allows for a more stable workforce and increases the likelihood that the company will get a return on its investment in the employees and ultimately provide more efficient delivery of electricity to customers. Depending on the design of the plan, retirement benefits can significantly increase in value in the latter part of an employee's career, particularly benefits tied to final average pay and service, which provides incentives for employees to stay.

Research supports that retirement benefits have a significant impact on employee retention. Results from Towers Watson's 2013/2014 Global Benefits Attitudes

Survey - Brief #3 (HELCO-1303)[2] published in May 2014, indicate a [redacted] positive difference of attraction for U.S. companies with an open defined benefit plan versus a defined contribution only plan with [redacted] of those in the 40-49 age group responding that the retirement plan was an important reason they decided to work for their current employer (refer to page 13 of HELCO-1303). Employees at U.S. companies sponsoring defined benefit plans that met their needs said that the retirement program gives them a compelling reason to stay on the job: [redacted] reporting that they would like to stay with the company until retirement, [redacted] would likely stay for two years, and only [redacted] reporting that they are likely to leave within two years (page 22 of HELCO-1303). Employees in an open defined benefit plan were more likely to agree that retirement benefits met their needs at [redacted] versus a defined contribution only plan at [redacted] (page 36 of HELCO-1303).

Q. What are the typical components of a retirement program?

A. There are varying components to a retirement program and the mix of the components will largely depend on a company's workforce strategy, philosophy and needs. The most typical components are a defined benefit plan, a defined contribution plan, a retiree medical program and a retiree life insurance offering.

Q. What is a defined benefit plan?

A. A defined benefit plan provides a benefit that is defined by a fixed formula and is typically based on pay and years of service. Historically, these benefits have been

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[2] The information contained in HELCO-1303 is confidential and will be provided when the Commission issues a protective order in this proceeding. This information is proprietary to Towers Watson and Towers Watson client use only, and not provided or disclosed to the general public

defined as annuities payable at age 65. Another type of defined benefit plan, called a "hybrid" plan, has been developed that defines retirement benefits as a lump sum. Like the traditional defined benefit plan, the benefit accrues based on a defined fixed formula, but the benefit is defined as a lump sum account balance rather than a monthly annuity benefit at age 65. The most common type of hybrid plan is a cash balance plan which provides for a percentage of pay (i.e., a pay credit) to be added to a notional account and accumulated with a defined interest credit (e.g., 30-year Treasury rate). While the account looks and feels similar to a defined contribution plan, it is still considered a defined benefit plan because the employer bears the risk of the assets and investments.

Q. How do defined benefit plans compare to defined contribution plans?

A. Similar to a hybrid defined benefit plan, a defined contribution plan defines the annual contribution that is made to an account today. The key difference is that the participant directs the investment and bears the risk of the actual investment earnings on the individual account balances. As a result, the participant's account balance is unpredictable and can vary significantly depending on market returns.

Q. Can you comment on how the use of a defined benefit plan can vary by industry?

A. The retirement program that a company offers largely depends on their workforce and workforce strategy. Industries that can tolerate, or even desire, high turnover may be more likely to offer defined contribution plans. Industries that have experienced rapid change with significant financial and competitive pressures have moved away from defined benefit plans. The largest shifts from defined benefit to defined contribution plans have been in the auto and transportation equipment, communications and high-tech sectors. On the other hand, industries that have highly specialized skills, longer training cycles, significant unionized populations, limited labor pools and physically demanding jobs may be more likely to offer a defined benefit plan. Industries that continue to offer defined benefit plans include energy/natural resources, insurance and utilities.

Q. Are defined benefit plans still common in the utility industry?

A. Yes. They are still common in the utility industry due to the unique characteristics of the industry. New hires in the utility industry are likely to be covered by some form of defined benefit plan as [redacted] of utilities offer this benefit to new hires (final average pay ("FAP"), career average pay ("CAP"), cash balance, or pension equity plan ("PEP")). Even when a change in plan design is made, utilities are more likely than other industries to have current employees continue benefit accruals under the legacy design and apply the new design to employees hired after the change (refer to HELCO-1304, page 8 of 24)[3].

Q. Why are defined benefit plans continuing to be used among utilities?

A. Defined benefit plans result in more stable and orderly retirements, which are important in an industry that has longer training cycles and knowledge transfers, and where effective succession planning is critical to the stability of the business. In addition, defined benefit plans are also favored by unionized populations, which can limit a company's ability to significantly and rapidly change the mix of programs.

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[3] The information contained in HELCO-1304 is confidential and will be provided when the Commission issues a protective order in this proceeding. This information is proprietary to Towers Watson and Towers Watson client use only, and not provided or disclosed to the general public

Q. Will defined benefit plans continue to be used by utilities in the future?

A. Yes. Defined benefit plans as a component of a competitive retirement program continue to make sense for this industry, particularly given the workforce management advantages previously discussed. Properly designed, they will ensure that the utility will get a return on its investment in the employees' training and development. In addition, defined benefit plans allow utilities to provide a competitive total compensation package to ensure they attract critical skill employees. Finally, defined benefit plans are economically efficient in that they better allocate the benefits to long-service employees.

Q. In general, how do companies determine pension benefits?

A. Pension benefits are one piece of the total compensation package offered to employees for their service to companies, like Hawaiian Electric, Hawai'i Electric Light or Maui Electric. It is appropriate to look at a company's total compensation package, base pay and benefits, when comparing its compensation to benchmarks. This means if any single component is reduced, another component would need to be increased by some amount in order to maintain the overall total compensation value.

The level of pension benefits is reviewed in the context of the value of the total compensation package. The Companies periodically have a study conducted to review the employees' total compensation packages

Q. What would be the consequences if the Company no longer offered a defined benefit plan?

A. Eliminating the defined benefit retirement plan would not be in the best interest of the Company or customers because it would result in a total compensation package that is below market and it would put the Company at a competitive disadvantage with respect to recruiting and retaining its talent. Absent a defined benefit plan, the Company would need to increase its rewards in other areas such as compensation or an additional defined contribution retirement benefit, in order to provide a competitive total compensation package. Increasing other rewards would not provide the same workforce management advantages and economic efficiencies offered by a defined benefit plan and could result in unintended consequences such as delayed retirements, increased active medical cost and productivity losses.

Q. Why would other rewards not provide the same workforce management advantages as a defined benefit plan?

A. An employer-sponsored defined benefit plan provides a monthly income at a given retirement age that an employee can budget for regardless of market performance of the underlying assets. Other reward programs rely on the employee's ability to save and invest which can have a greater effect on the employee's confidence in retirement. Lack of confidence can result in an employee delaying retirement beyond productive years in order to save additional assets for retirement. The defined benefit plan is also a retention tool for employees that may otherwise feel they have sufficient savings for retirement and leave the company before their productive working life has been attained. A defined benefit formula can be designed to reward employees for working to a certain retirement age in order to maximize the return for investments made to train the employee.

PENSION BENEFITS

Design of the Companies' Pension Benefits Plan

Q. Please explain the basic design of the Companies' pension benefits.

A. The basic design of the pension plan was established to provide income security after retirement from the Companies in exchange for a career of service. Since inception, the plan has been subject to changes through the collective bargaining process as well as legislated changes included in laws such as the ERISA, the Retirement Equity Act of 1984 ("REA"), the Retirement Protection Act of 1994 ("RPA"), the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and the Pension Protection Act of 2006 ("PPA").

Q. What is considered when developing a pension benefit design?

A. Retirement income generally consists of three pieces: (1) pension benefits from company-sponsored plans, (2) Social Security benefits and (3) personal savings of the employee. Pension benefits from company-sponsored plans may take the form of either annuity benefits or a plan designed to deliver a lump sum benefit at retirement. A plan that delivers a lump sum benefit may be designed as (1) an annuity with a lump sum optional distribution form, (2) a hybrid plan designed toward a lump sum distribution, (3) a defined contribution plan that may be based on the employer matching a percentage of employee contributions under a 401(k) plan, or (4) employer contributions not based on employee contributions. A combination of designs may be employed by a company to deliver a total employer-provided pension benefit.

Q. What level of pension benefits is adequate?

A. The level of pension benefits that adequately sustains a desired standard of living after retirement varies by individual. Variables include such factors as age at retirement, life style, home ownership status, status of dependents (both children and parents) and cost of living for the geographic area in which the retiree plans to live. As a percentage of pay prior to retirement, lower paid employees will need a higher percentage of pay – as much as 100% of their income – than higher paid employees to maintain their standards of living in retirement. Employer-provided benefits, through a combination of annuity and lump sum benefits, should target to replace from 30% to 70% of a career employee's pay at retirement, depending on the industry and dynamics of the total pay package. (Social Security and personal savings would be used to provide the remainder of retirement income.) A career could be defined as twenty to thirty-five years, depending on the occupation of the employee.

Q. How are pension benefits changed?

A. For bargaining unit employees, pension benefits are subject to collective bargaining with the union, and therefore, changes to pension benefits, including the level and method of delivery, cannot be changed without agreement. In addition, pension benefits provided to both bargaining unit and management employees are protected under ERISA, a federal law which prohibits the reduction of benefits that have been accrued to date. Any change to the benefit structure may only occur prospectively.

The Company performs an assessment of its total compensation package, total costs, and its continued ability to attract and retain high quality employees with utility specific skills and knowledge, issues critical to Hawai'i Electric Light's ability to produce and deliver safe, reliable, clean electric power. Based on the assessment, the Company develops a plan to modify pension benefits as allowed under law and agreed upon through the collective bargaining process.

Q. How are bargained pension benefits changed?

A. When the bargaining process begins, the Company and the union ("the parties") each set forth proposals outlining pay and benefit designs. Pension benefits are a part of the bargaining process. Generally, changes to benefits are made incrementally as it is difficult to get agreement between the parties on large changes in benefit design. If major changes are made then the current group of employees are usually protected under a "grandfathering" provision. That is, current employees continue under the legacy plan design while new employees are covered under a new benefit design. Under certain situations, current employees may be provided with a choice as to whether they will be covered under the legacy design or the new design.

Q. Are pension benefits for management (sometimes referred to as "merit" or "non-bargained") employees subject to the same bargaining agreements as for the bargaining unit employees?

A. No. However, there has been a long-standing practice of providing similar pension benefits to management employees primarily to promote teamwork and to encourage internal movement between the two groups, which serves to preserve specific work knowledge.

Changes to the Pension Plan Design – May 1, 2011

Q. Please compare the Company's defined pension benefit plan calculations for employees hired prior to May 1, 2011 for bargaining unit employees and management employees.

A. The pension benefit levels for the bargaining unit employees and management employees are similar, although the formulas vary. In the Company's defined pension benefit plan for employees hired prior to May 1, 2011 ("Legacy Employees"), the bargaining unit pension benefit is based on a multiplier of 1.83%, times the credited service applied to the rate of pay at the time of retirement. The management pension benefit is based on a higher multiplier of 2.04%, but it is applied to a lower pay level of a three-year average pay at retirement

Q. Please compare the grandfathered (prior to 2011) defined benefit design and the new defined benefit design.

A. A comparison of the designs is provided below.

1) The grandfathered defined benefit design has a retirement formula that includes a 1.83% multiplier for bargaining unit employees and a 2.04% multiplier for management employees. Under the new defined benefit formula, these multipliers have been reduced to 1.25% for bargaining unit employees and 1.50% for management employees.

2) The grandfathered design provides for early retirement factors and ages ranging from 70% of the accrued benefit for commencement at age 50 to 100% of the accrued benefit for commencement at age 60. The design for employees hired on or after May 1, 2011 reduces the early retirement benefit entitlement to factors

and ages that range from 79% for commencement at age 55 to 100% for commencement at age 62 (no retirement prior to age 55).

3) Earliest retirement age was raised from age 50 under the old formula to age 55 in the new formula.

4) Full retirement under the new formula is attained at age 62 instead of age 60 under the grandfathered defined benefit formula.

5) An employee must retire with a minimum of 20 years of service under the new formula instead of 15 years under the old formula, in order to be eligible to retire before age 65 with early retirement benefits.

6) The grandfathered defined benefit formula has a cost of living adjustment ("COLA") that is the equivalent of 3.0% every two years. The new formula eliminated COLA.

Q. Has the Company realized measureable savings associated with the formula design change since May 1, 2011?

A. As of January 1, 2016, the Company has operated with the new design in place for 56 months. During this time, the workforce has grown through expansion and some older workers have retired and been replaced by younger workers. HELCO-1305 provides a comparison of the present value of the annual benefit accrual associated with the change in benefit structure. Page 3 of HELCO-1305 estimates there will be 65 employees as of January 1, 2016 covered by the post-April 30, 2011 plan formula. The value of the defined benefit accrual for 2016 is about $258 thousand lower due to the change in defined benefit formula; offsetting this amount assuming 3% defined contribution provided to employees hired after April 30, 2011 nets to a savings of $111 thousand (page 3 of HELCO-1305). This lower value of accruals reduces both the net periodic pension cost and the minimum funding requirements under ERISA.

Q. What is the anticipated long-term cost reduction associated with the plan changes to new employees' benefits?

A. Long-term, the cost of the new program, including the employer match of employee deferrals discussed below, is expected to be lower than the current design by about 3% of applicable payroll. Note this savings estimate is lower than the ultimate expected savings of 6% modeled on page 4 of HELCO-1305 because page 4 assumes a profile where all participants are covered by the new formula; this will not occur for about 25 years (30 years after prospective implementation of the new formula). The savings from the lower defined benefit formulas are partially offset by the increase in defined contribution benefits. For new employees, the increase in defined contribution benefits may exceed the reduction in defined benefits for the first few years of employment. Once the new employees accumulate more years of service and reach higher ages, the difference in benefit accrual patterns will result in a savings.

HELCO-1305 page 1 provides an illustration of the present value of the benefit accruing over an employee's career as a percent of pay. The top graph is for a union employee, while the bottom graph is for a nonunion employee. The graphs indicate an increasing savings as the career progresses even after adding the 3% matching contribution to the new formula.

Although the graphs for the union and nonunion employees are very similar, the spread is slightly greater for the nonunion employees based on the assumptions used for the sample. Page 2 of HELCO-1305 provides a table of anticipated reductions in the present value of annual benefit accruals as a percent of pay. The top half of the page illustrates the union formula before and after applying a 3% employer defined contribution match; the bottom half of page 2 uses the same information to illustrate the nonunion formula. As shown by these charts, savings to the Company increase both as a function of increasing age and increasing service. The annual accrual trend only changes when the benefit caps are attained under the legacy formulas; however, at this point savings from earlier years outweighs the annual accrual for later years (over 32 years of service needed to reach legacy caps).

Page 3 of HELCO-1305 provides a summary of benefit savings related to employees hired after April 30, 2011 and includes count, pay and change in the present value of the benefit accruing in 2016 for the union group, nonunion group and in total by age and service of the employees. As expected, the savings increases with age.

Page 4 of HELCO-1305 provides a projection of the potential change if the employee profile as of January 1, 2016 is used as an indicator of the eventual group to be covered under the post-April 30, 2011 formula plus the 3% defined contribution benefit; again, the savings increase with age and service. Ultimately, based on the assumptions indicated, the present value of the annual accrual plus the 3% defined contribution match could be about 6% lower than the legacy formula (bottom right-hand number on chart).

Q. Have the reductions in the defined benefit plan for new employees hired on or after May 1, 2011 been replaced with another form of compensation or benefit?

A. Yes. With the reduced defined benefit for new hires, the Company added an employer-matching of employee deferral compensation to the Hawaiian Electric

Industries Retirement Savings Plan ("HEIRS"). The defined contribution plan will provide a 50% Company match of the employee's first 6% deferred compensation with partial vesting starting after two years of service, and full vesting at six years of service.

Q. Does the new retirement benefit plan design reduce cost volatility of the Company?

A. Yes. Shifting benefits from a defined benefit plan to a defined contribution plan lowers the obligation subjected to variance due to changes in discount rates used for measurement, removes the inflation leverage on defined benefits related to changes in final average pay, shifts investment risk for asset accumulation to the employee and shifts longevity risk to the employee.

Q. What, if any, advantages does a defined benefit plan provide in recruiting and retaining employees?

A. A defined benefit pension plan provides a predictable specified monthly benefit to an employee at retirement. This benefit is calculated through a plan formula that considers factors such as a percentage of salary and years of service. In contrast, the value of the benefit provided by a defined contribution plan fluctuates due to the changes in the value of investments.

Defined benefit pension plans are an effective means of retaining older employees with critical skills. An employee survey conducted by Towers Watson reveals that defined benefit pension plans are an effective means of retaining older employees. This is supported by a study completed by Towers Watson, the basis for the article, "Attraction and Retention: What Employees Value Most," published March 2012 and presented as HELCO-1306. This study indicates that, not only is a defined benefit pension plan an increasingly important reason why employees stay with their current employer, but the greater security offered by a defined benefit pension plan is increasingly attractive to the youngest employees. The survey results (HELCO-1306, page 4, Figure 6) provides a comparison of the importance of a retirement plan for the attraction and retention of employees between defined benefit (traditional plans) and defined contribution (401(k) type plans) at three points in time: February 2009, June 2010 and June 2011. This information supports a growing importance of offering a defined benefit plan to attract and retain employees. As expected, the study indicates the older the employees are, the greater importance they place on retirement benefits; this is an important factor in attracting mid-career talent and retaining experienced employees. A defined benefit pension plan is also a cost efficient way to deliver benefits at retirement age; assets may be accumulated based on group risk rather than individual risk to enhance expected return and are paid only as required to provide benefits as outlined under the plan document. The defined benefit plan is also the best way to deliver a targeted benefit, allowing for enhanced workforce management.

PENSION EXPENSE

Components of Pension Expense (Net Periodic Pension Costs, or "NPPC")

Q. What are the components of the NPPC?

A. Financial Accounting Standards Board Accounting Standards Codification 715 ("ASC 715,") specifies six basic components of NPPC:

1) Service Cost
2) Interest Cost
3) Expected Return
4) Amortization of Transition Obligation
5) Amortization of Prior Service Cost
6) Amortization of (Gain)/Loss

A detailed explanation of the components of NPPC is provided in HELCO-1307.

Factors Underlying Pension Cost

Q. What factors determine the Company's pension cost?

A. In general, requirements of ASC 715 determine the Company's pension cost. Factors used are as follows:

1) plan provisions,
2) employee demographics,
3) pension fund performance,
4) actuarial assumptions, and
5) methodology for determination of the value of plan assets.

More detailed description of these factors that determine NPPC are provided as HELCO-1307A.

Q. Is the net periodic pension cost a reasonable basis for funding a pension obligation?

A. Yes. The net periodic pension cost reflects the main components needed for adequate funding including service cost for the value of benefits accruing during the year, interest cost to reflect growth in obligations due to passage of time, amortization of accumulated actuarial losses and prior service costs to reflect differences between obligations and assets offset by expected return on assets. The measurements and costs are based on current market conditions.

Q. Are there other considerations besides NPPC for funding a qualified pension plan?

A. Yes. There are minimum funding requirements under ERISA for qualified pension plans that must be satisfied. If the minimum funding requirement exceeds the net periodic pension cost, then the additional amount must be contributed to the plan to comply with ERISA.

<u>Minimum Required Contribution Under ERISA</u>

Q. How is the minimum required contribution ("MRC") determined for a defined benefit plan?

A. The MRC is detailed in ERISA and the Internal Revenue Code. The latest major changes to funding rules were provided by the Pension Protection Act of 2006 ("PPA"). Due to economic volatility since 2008 there have also been various funding relief measures provided through both interpretive guidance and legislation, the latest being Moving Ahead for Progress in the 21st Century ("MAP-21") signed by the President on July 6, 2012 as modified by the Highway and Transportation Funding Act ("HATFA") signed into law August 8, 2014. Basically, the MRC is a combination of Target Liability Normal Cost plus an amortization of Unfunded Target Liability less available Funding Balance ("Target Liability Normal Cost," "Unfunded Target Liability," and "Funding Balance" are defined below).

Target Liability Normal Cost is the value of benefits accruing during the year plus anticipated administrative expenses to be paid from the pension trust. The value of benefits accruing includes the effect of employees earning an additional year of credited service and the effect of increasing pay on the previously accrued benefit. Unfunded Target Liability is the difference between the Target Liability Normal Cost and the Actuarial Value of Assets (defined below). The Target Liability Normal Cost is based on benefits accrued as of the valuation date reflecting credited service and pay as of the valuation date (unit credit valuation method).

The Actuarial Value of Assets is a smoothed asset value based on asset information over the two years prior to the valuation date restricted such that the value is between 90% and 110% of the market value of assets. For valuation purposes the Actuarial Value of Assets is reduced by the Funding Balance.

Funding Balance consists of two amounts introduced by PPA, the Carry-Forward Balance (credit balances as of January 1, 2008 adjusted for subsequent earnings and usage) and the Prefunding Balance (credit balances established after January 1, 2008 adjusted for subsequent earnings and usage). These are the accumulated amounts contributed to the pension trust in excess of the MRC. The Funding Balance is useful in that it allows a plan sponsor to contribute additional funds in one year when additional funds are available, then use that additional funding in a subsequent year to reduce the MRC in a year when cash flow is more restricted. Negative Funding Balances are not allowed.

The Unfunded Target Liability is generally amortized over seven years.

Assumptions similar to those used under FAS calculations are used to determine the Target Liability Normal Cost. Notable exceptions are the mandated interest rate and mortality tables. The relief provided under MAP-21 established an interest rate corridor around a 25-year average of bond rates that had the effect of increasing the required interest rate for calculating target liability. The higher interest rate lowered the target liability and thereby lowered the MRC. The corridor was scheduled to widen from 10% in 2012 by 5% increments to 30% in 2016; HATFA modified this corridor to use 10% through 2017 before starting the 5% phase down to use 30% in 2020. The widening of the corridor will diminish the relief provided under MAP-21 as the wider corridor reduces the lower limit on interest rates.

Q. Does the NPPC satisfy the requirements of ERISA minimum funding?

A. The NPPC is a reasonable methodology for funding pension benefits. It includes components for new benefit accruals, reflects growth in the value of accumulated benefits offset by expected growth in accumulated assets and has a provision for amortizing the accumulated gains and losses that give rise to a difference between obligations and assets. However, there are times when the NPPC is lower than the minimum funding required under ERISA. During these years the Company must contribute at least the minimum required under ERISA. A pension tracking mechanism is used to account for amounts contributed in excess of the NPPC. The pension tracker is discussed by Mr. Paul Franklin in HELCO T-11 of this filing. Basically, the excess amounts are added to a regulatory asset; at the next rate case, the regulatory asset is amortized over five years and added to the rate base.

Comparison of NPPC Between 2010 and 2016

Q. How does the Hawai‘i Electric Light portion of the 2016 test year NPPC estimate compare to the 2010 NPPC?

A. A comparison to the NPPC for 2016 to the 2010 NPPC is provided as HELCO-1301 and is summarized below.

	Comparison of Components of NPPC, 2010-2016 (Thousand $)			
	2010 Actual	2012 Actual	2014 Actual	2016 Actual
Service Cost	4,085	5,592	6,139	6,272
Interest Cost	8,581	8,927	9,326	9,814
Expected Return	(9,755)	(9,892)	(10,966)	(12,403)
Amortization of Transition Obligation	0	0	0	0
Amortization of Prior Service Cost	(121)	(121)	9	1
Amortization of (Gain)/Loss	1,070	3,469	2,648	3,219
Total NPPC	3,860	7,975	7,156	6,903

The 2016 NPPC is based on the January 1, 2016 actuarial valuation under the ASC 715.

The NPPC increases $3.0 million from 2010 to 2016. The main reasons for the increase are related to a growing workforce and a change in the discount rate used to measure service cost related to new accruals and projected benefit obligation representing the value of benefits accrued to date. The increase in service cost and amortization of losses associated with the actuarial loss on projected benefit obligation is somewhat offset by the increase in expected return on assets. The expected return on assets compared to the interest cost related to accrued benefits is an income of $2.6 million (2016 interest cost of $9,813,808 less 2016 expected return of $12,402,507); this has improved by $1.4 million over the $1.2 million difference in 2010 (2010 interest cost of $8,581,308 less 2010 expected return of $9,755,092).

Q. How does the estimated NPPC for 2016 compare to the NPPC for interim years 2010 through 2016?

A. Largely as a result of fluctuating discount rates, the NPPC has varied over the last six years. The NPPC for 2016 is $0.7 million lower than the average NPPC for the six years 2010 through 2015 inclusive. The 2016 NPPC is higher than the NPPC for each of 2010 and 2011, but lower than the NPPC for years 2012, 2013, 2014 and 2015. Details are provided in HELCO-1301.

Q. What are the main factors causing changes in the NPPC in recent years?

A. The discount rate for measuring obligations and the adoption of a new mortality assumption are two main factors causing changes in the NPPC. The discount rate is applied to future benefits expected to be paid from the plan to obtain the present value of the obligation. The lower the discount rate, the higher the measure of obligation. Due to economic factors over the last few years, the discount rates, although fluctuating, have been sustained at historical lows. Recent global events have pushed interest rate to historic lows making it difficult to speculate when interest rates may rise.

On October 27, 2014, the Society of Actuaries ("SOA") released a new mortality table (RP-2014) including a generational mortality improvement scale (MP-2014). HEI adopted the new tables, including the blue collar version for the union workforce. For financial measurement purposes, the new table was used to calculate the 2015 NPPC. The effect of using this table is an increase in the measure of obligation.

In October, 2015, the SOA released a revised generational mortality improvement scale referred to as MP-2015. This modified scale reflected an additional two years of experience compared to the MP-2014 scale which resulted in a claw back of improvement assumed under MP-2014. Although the mortality assumption will continue to be reviewed annually, the modified scale was applied to calculate the 2016 NPPC. The effect of using MP-2015 is a decrease in the measure of obligation.

The service cost related to benefits accruing during the year is sensitive to the discount rate as the benefits accruing during the year are expected to be paid at a future date to which the discount rate is applied. If the discount rate decreases from one year to the next, the obligation for each succeeding year increases more than expected.

The difference between the expected obligation based on the prior year discount rate and obligation measured based on the current year discount rate increased the accumulated actuarial losses. Gains or losses associated with trust assets returning different than anticipated are combined with the actuarial gains or losses on obligations. The accumulated gains or losses are subject to amortization in the NPPC; the higher the loss, the higher the amortization. Therefore, the increase in service cost and amortization of accumulated losses associated with a decreasing discount rate and change in mortality assumption have increased NPPC over recent years.

Q. How does a change in mortality assumption affect pension and OPEB obligation and net periodic cost?

A. The change in mortality assumption suggested by the SOA's release of mortality table RP-2014 with generational improvement scale MP-2014 reflects an expectation of longer life including an expectation of continuously improving mortality. Use of RP-2014 with the MP-2014 improvement scale increased obligation approximately 8% as the value of future mortality improvement is included in the current measurement of obligation. The adjustment to MP-2015 for December 31, 2105 financial disclosure and 2016 net periodic pension cost reduced the obligation about 1%. The table and projection scale will continue to be studied in conjunction with utility industry workforces to determine if adjustments should be considered to better reflect anticipated mortality rates for this industry.

ACTUARIAL ASSUMPTIONS FOR PENSION COSTS

Q. What specific topics do you cover in this section of your testimony?

A. I address three topics. First, I provide a background on the professional standards and processes for selecting actuarial assumptions and explain that the Company's approach is consistent with these requirements. Second, I describe the accounting methodologies used by the Company for calculating pension cost and the reason they are appropriate from a ratemaking perspective. Third, I address the apparent and unintended consequences created for the Company in calculating its pension costs if the changes to the Company's actuarial assumptions are ordered.

Q. Are there unique considerations for establishing annual costs for pension plans?

A. Yes. While pension plans pay benefits to retired participants who are in payment status today, there are also active employees who are earning benefits that will be paid in the future and former employees with vested benefits that will also be paid in the future. Determining the plan sponsor's liability for these obligations and assigning a cost to the current year requires the projection of future benefit payments and the discounting of those future benefit payments back to the current date.

Q. Is this difficult to do?

A, Yes. It is difficult to predict how long people are going to work, their future pay, the trajectory of their respective careers, and how long they will live.

Q. What assumptions must be made in calculating an annual pension cost/liability?

A. Companies must select actuarial assumptions for the occurrence of future events that will affect the determination of the amount of plan benefits for the participants, when they will be paid in the future, and the length of time they will be paid. Future events include demographic changes such as mortality, disability, employment termination, and anticipated retirement dates. Future events also include economic forecasts for a variety of factors such as inflation, salary increases and expected future returns on bonds and plan investments. These assumptions are set by the plan sponsor in consultation with their actuaries and other advisors.

Q. Can a plan sponsor (the employer) pick any actuarial assumption it wants?

A: No, for several reasons. First, plan sponsors are not motivated to arbitrarily pick actuarial assumptions because their costs will not be reflected accurately. Second, the accounting standards board, the actuarial standards board, and federal agencies have detailed guidelines on the selection of actuarial assumptions. For purposes of determining the liabilities, funded status, and annual costs for pension plans, the two primary areas of focus for these governing bodies are cash funding requirements and company accounting. For cash funding, IRS rules require specific methods and assumptions be used to determine liabilities and annual funding requirements for pension plans as well as annual reporting to various government agencies. For company accounting, U.S. Generally Accepted Accounting Principles ("U.S. GAAP") requires specific methods and assumptions that must be followed for company financial reporting of liabilities for the balance sheet and annual cost for the income statement under the standard for pension accounting for financial reporting purposes, ASC 715.

Q. What is the typical process used by a plan sponsor for selecting actuarial assumptions?

A. For company accounting, the Financial Accounting Standards Board ("FASB") has issued extensive guidance on assumption selection for purposes of company financial statements. Based on guidance from the FASB, the plan sponsor is responsible for the selection of actuarial assumptions. It is common for the plan's actuary to assist in the assumption selection process, particularly in providing documentation that supports the selection. In addition, the company auditors also need to approve the actuarial assumptions, so there needs to be sufficient evidence supporting that the selected assumptions are reasonable. Actuaries are bound by Actuarial Standards of Practice, including those that pertain to measuring pension obligations and the assumption selection process. When evaluating a prescribed assumption or method selected by the plan sponsor, actuaries must consider whether the assumption or method significantly conflicts with what, in their professional judgment, would be reasonable for the purpose of the measurement. If there is a significant conflict, actuaries must disclose the conflict in appropriate communications.

Q. Is Hawai'i Electric Light's approach consistent with industry practices?

A. Yes, it is.

Q. Is this assumption-setting process also appropriate for determining pension costs in rate cases?

A. Yes. Given the complexity of the actuarial calculations and the importance of the assumptions to the cost determination, the process has the following benefits:

- It is driven by external guidelines and standards of practice that ensure reasonable assumptions are chosen.
- It produces assumptions consistent with the economic environment from year to year.
- It produces assumptions in line with other organizations thereby producing pension and benefit plan related financial results across industries and companies that are more comparable such that real economic differences in the health and funding of plans is more readily apparent.

Q. Should a state regulatory commission order the use of different, other than U.S. GAAP, actuarial assumptions?

A. No, that would not be prudent. Non-standard actuarial assumptions are contrary to the FASB's design for ASC 715 and the IRS's design for funding. If a commission requires the use of different, or non-standard, assumptions, the Company is required to actuarially determine its pension cost under three methods: U.S. GAAP under ASC 715, funding requirements as determined under the Internal Revenue Code "IRC", and a new method as required under the order. This will result in annual differences between the cost basis used for company financial reporting, funding and ratemaking. The annual differences between methods can grow over time and become quite significant relative to the company financials. The differences will be reported and could create doubts with the Company auditors regarding recovery.

Q. How is the discount rate determined?

A. Under ASC 715, the discount rate selected by the Company is subject to review by the external auditor and must be based on rates that would be used to settle pension obligations. This rate is allowed to be determined based on the internal rate of return of a bond portfolio of high quality bonds structured to provide the benefits promised by the plan. The bonds must be selected and valued as of the measurement date. As rates of return on high quality bonds have been decreasing over recent years so have discount rates used to measure pension obligations.

Q. What is the discount rate assumed for the December 31, 2015 disclosure and 2016 NPPC?

A. The discount rate of 4.6% is based on the high-quality bond market as of the measurement date, December 31, 2015. Projected benefit cash flows based on demographic assumptions are compared to returns available from high-quality bonds as of that date and an internal rate of return of the bond portfolio that can provide the needed cash flow for benefit payments is adopted as the discount rate. The discount rate is 4.60% for 2016 NPPC and 4.57% for 2016 NPBC.

Q. What is the sensitivity of NPPC to the discount rate?

A. Results of the 2016 valuation include an estimate of 2017 NPPC using a discount rate of 4.60% with sensitivity for plus or minus 0.5% (4.10% and 5.10%). A 50 basis point decline in discount rate is expected to increase the Hawai'i Electric Light portion of 2017 NPPC by about [redacted]. A 50 basis points increase in discount rate was expected to reduce the Hawai'i Electric Light portion of 2017 NPPC by about [redacted].

Q. What is the expectation of future NPPC assuming a discount rate of 3.8% for 2017 (reflecting July 2016 market conditions) with an increase of 15 basis points per year and expected asset returns are realized?

A. If the discount rate drops from 4.6% to 3.8%, then experiences a gradual increase while expected asset returns are realized, I would expect to see an initial increase in NPPC from 2016 to 2017 of about [redacted] followed by a decreasing NPPC over the next few years as accumulated losses are amortized and a smaller remaining balance is subjected to amortization for subsequent years. Initial five-year budget projections indicate an expected increase in the Hawai'i Electric Light portion of NPPC of about [redacted] from 2016 to 2017 followed by decreases averaging about [redacted] per year for the following four years.

Q. What happens to NPPC if the discount rate increases?

A. An increasing discount rate will lower service cost and result in actuarial gains associated with the measurement of obligation. The gains would offset accumulated losses which would lower the balance of accumulated losses subject to amortization in NPPC. According to projections of 2017 NPPC mentioned above, the Hawai'i Electric Light portion of 2017 NPPC would decrease about [redacted] with a 50 basis point increase in discount rate. (Exhibit 7A, HELCO-1308)[4]

<u>OTHER POST RETIREMENT BENEFITS ("OPEB")</u>

Q. How does the Hawai'i Electric Light portion of 2016 Net Periodic Benefit Cost

[4] The information contained in HELCO-1308 is confidential and will be provided when the Commission issues a protective order in this proceeding. This information is proprietary to Towers Watson and Towers Watson client use only, and not provided or disclosed to the general public

("NPBC") compare to the 2010 NPBC and what are the factors that cause a difference?

A. A comparison to the NPBC for 2016 to the 2010 NPBC (excluding the executive life benefit) is provided as HELCO-1302 and is summarized below.

	Comparison of Components of NPBC, 2010-2016 (Thousand $)			
	2010 Actual	2012 Actual	2014 Actual	2016 Actual
Service Cost	775	551	458	370
Interest Cost	1,604	1,237	1,152	1,172
Expected Return	(1,789)	(1,640)	(1,663)	(1,680)
Amortization of Transition Obligation	332	332	0	0
Amortization of Prior Service Cost	(65)	(574)	(574)	(574)
Amortization of (Gain)/Loss	0	296	0	168
Total NPBC	857	202	(627)	(544)

The 2016 NPBC is based on the January 1, 2016 actuarial valuation under the ASC 715. Descriptions of the components of NPBC and the factors that determine NPBC are found in HELCO-1307 and HELCO-1307A. They are similar to NPPC.

As shown in the table above, the change from 2010 NPBC of $857 to 2016 NPBC of –$(544) is a decrease in cost of about $(1,401). The decrease is attributable to a combination of gains in post-age 65 premiums and later expected retirement ages adopted as a result of plan design changes. These gains were offset somewhat by a decrease in the discount rate and adjustment to medical trend rates. A comparison by component of the NPBC for 2016 to the 2010 NPBC is provided as HELCO-1302.

Q. How do changes in the discount rate affect NPBC?

A. The effects of a changing discount rate on NPBC are similar to that of NPPC described above with a few exceptions. The plan is smaller in terms of obligation, is designed such that future benefits decrease at each participants' age 65 resulting in a shorter discount period, and has a cap on employer-provided benefits.

Based on the 2016 valuation results, the projected 2017 NPBC is [redacted]. A 50 basis point decrease in discount rate is expected to increase the Hawai'i Electric Light portion of 2017 projected NPBC about [redacted] while a 50 basis point increase in discount rate is [redacted] effect on NPBC.

Q. Have other changes outside the pension plan design been considered to promote longer career service and reduce cost?

A. Hawai'i Electric Light changed the eligibility requirements for post-retirement medical coverage for bargaining unit employees through the collective bargaining process (HELCO-1309) and for management employees. In particular, after 2011, bargaining unit employees will need a career service of twenty years and minimum age of 55 to be eligible for retiree medical benefits. Management employees hired before May 1, 2011 will need to satisfy the rule of 70 (age plus years of service at retirement equal to 70 or more) for their retiree medical benefits, while management employees hired after April 30, 2011 must meet the same conditions as bargaining unit employees. The increase in service requirement for full benefits is expected to keep desirable employees working a few years longer than they may have otherwise. Benefit payouts will be lower as later retirement means benefits will be paid for a shorter time period.

Q. Will recent health care reform legislation affect the cost of the retiree medical plan?

A. Health care reform legislation is not expected to have a significant direct impact on the Company's cost for retiree medical benefits. Hawai'i Electric Light's retiree medical benefits provided prior to age 65 are the same benefits provided to active employees with two exceptions: the cost of the benefits in retirement are shared with the retiree based on service with the Company at retirement and the employer share of the cost is limited by a fixed dollar cap for retirements after 1998. Once the cap is reached, the employer share of the cost will decrease as a percentage of the total benefit as the employer will pay no more than the cap towards premiums.

For coverage after age 65, the employer exposure is lower due to the integration of medical coverage with Medicare. Further, the Company is taking advantage of products offered on the market as a result of the medical reform legislation. The Company will continue to review products available each year to more efficiently deliver benefits to retirees.

Health care reform legislation also introduced an excise tax that is expected to apply to plans that exceed certain benefit thresholds in the future (2018 and later); however, based on the structure of the retiree medical benefits, any excise tax is expected to apply as an increase in administrative cost to be shared with employees. If the cap on the employer share of the benefit has been reached, then the entire increase resulting from an excise tax would be borne by the retiree. On this basis, the excise tax is not expected to increase the Company's obligations related to retiree health care.

CONSIDERATIONS TO CONTROL COST LEVEL AND VOLATILITY

Q. Has Hawai'i Electric Light explored ways to reduce employee pension and benefits expense?

A. Yes. As stated above, in an effort to control cost, manage the workforce and in conjunction with the collective bargaining process, Hawai'i Electric Light made changes to both its pension and post-retirement medical plans for both the bargaining unit and management employees. A discussion of the labor negotiations and the final negotiated provisions for pension benefits can be found in HELCO-1309. Actual changes to the benefits include requirement of additional service to be eligible for post-retirement medical benefits for both new and current employees. In addition, the defined benefit plan was changed for bargaining unit and management employees hired on or after May 1, 2011 with the following modifications: (1) lowering the multiplier used in calculating the pension benefit; (2) reducing subsidies related to early retirement and raising the ages of eligibility for retirement benefits; (3) raising the earliest retirement age; (4) raising the age for full retirement eligibility; (5) increasing the years of service for retirement; and (6) eliminating the automatic cost of living increases.

Hawai'i Electric Light anticipates cost savings as current employees covered by the legacy design leave the Company and are replaced by new employees covered under the new design. In addition to reducing cost, the changes in eligibility for retirement and post-retirement medical benefits are expected to extend the expected working life of employees as retirement is deferred to attain better benefits. Longer working careers are expected to result in long term reductions in pension costs.

Q. Please describe the efforts undertaken to control costs.

A. As previously stated, in 2011, as a result of collective bargaining, Hawai‘i Electric Light made changes to the retirement benefit program which included reducing the defined benefit and increasing the defined contribution benefit. The agreement was ratified with the International Brotherhood of Electrical Workers, Local Union 1260 (the "IBEW"). Hawai‘i Electric Light does not plan to eliminate its non-contributory defined benefit plan. In addition, the defined benefit plan, with respect to bargaining unit employees, cannot be unilaterally terminated, frozen, or modified by Hawai‘i Electric Light. The existing defined benefit plan provides certain advantages and benefits to employees, which are expected to assist Hawai‘i Electric Light in recruiting and retaining experienced and highly-skilled employees by offering a competitive benefit package.

Q. What are some other advantages and disadvantages of a defined benefit pension plan compared to a defined contribution (such as a 401(k)) plan?

A. A defined benefit pension plan can be designed to provide cost-efficient, secure, long-term retirement income for the employee retiring after a career of service. Part of the design is to entice the employee to work until retirement to earn this security; this long service is a benefit to the Company that spent years training the employee to perform specialized tasks.

Disadvantages of the defined benefit plan include potential cost volatility resulting from changing economic conditions and difficulty in explaining the defined benefit plan to employees. The cost of a defined benefit plan can be volatile as the plan sponsor shoulders the risks associated with investment, longevity, economy and inflation. The traditional pension plan has also been subject to unpredictable changes in legislation, and can be difficult to understand by the typical employee with regard to administration in accordance with rules and regulations as well as understanding the underlying value of the benefit.

Q. What are the advantages and disadvantages of a defined contribution plan?

A. In contrast to the predictable monthly benefit provided by a defined benefit plan, in a defined contribution plan, the employee or the employer (or both) contribute to the employee's individual account under the plan, and the contributions are invested on the employee's behalf. Employees will ultimately receive the balance in their accounts, which is based on contributions, plus or minus investment gains or losses. The advantages of a defined contribution plan are the ability to provide a benefit that is easy to communicate with a low financial risk (volatility) to the plan sponsor. Under current laws, the benefit can be fairly easy to change (subject to agreement with the union for collectively bargained benefits) and can generally be designed to encourage employee participation in retirement savings.

However, a defined contribution plan shifts all the investment, longevity, inflation and economic risk to the employees. Theoretically, the benefit from a defined contribution arrangement comes at a higher cost to the employer than a defined benefit plan to deliver the same level of benefits at retirement. The theoretically higher cost is based primarily on the assumption that investment returns of individual employees will be lower than returns the Company may achieve with a more efficient investment allocation based on a larger group and higher asset levels. If the Company desires to provide the same level of benefit, then the contribution amounts would need to be adjusted to reflect the lower anticipated returns of employees' investment strategies versus the Company's investment strategy.

Q. Which one – a defined benefit pension plan or a defined contribution plan – is a more effective workforce management tool?

A. The defined contribution plan is not particularly effective as a workforce management tool as the employee has a fully portable benefit which decreases the retention features of a retirement plan. The defined contribution plan is designed more for wealth accumulation than for retirement benefits and employees may make retirement decisions based on whether they feel their wealth at a given point in time can support them in retirement. This could lead to employees staying on the payroll beyond their productivity to the company or perhaps retiring before they have, in fact, accumulated sufficient wealth for retirement. The design of an annuity pension benefit can be used to assist in workforce management by providing a means for employees to move into retirement with a secure retirement income while making way for younger employees to grow into career positions. The eligibility rules for a pension benefit can be used to entice employees to work a full career and prevent the leakage of employees with desirable skills from prematurely leaving the company.

SUMMARY

Q. Please summarize your testimony.

A. The retirement benefit plans are an important component of the total compensation package for Hawai'i Electric Light employees. In an effort to control cost and manage the workforce, in 2011, Hawai'i Electric Light made changes to its retirement plan and post-retirement medical plan for both bargaining unit and management employees, which resulted in cost savings as current employees covered by the legacy design leave the Company and are replaced by new employees covered under the new design. The plan design changes are expected to result in employees delaying retirement to ages more advantageous to the Company's work force planning. These changes, benefit eligibility and early retirement conversion factors, are expected to save cost while preserving the pension benefit available to employees at an age 62 retirement age. If the Company's defined benefit plan were eliminated, highly skilled and experienced employees may have less incentive to join or remain with the Company. If a lower multiplier, e.g., 1.25%, was used to determine pension benefits without an offsetting increase in other benefits such as a match of employee deferrals under a 401(k) plan, then the value of pension benefits would likely fall below the average of peer companies and total compensation would be at a level that would make attraction and retention of desirable employees difficult.

NPPC and NPBC have been fluctuating over recent years with notably high levels in 2013 and 2015 as a result of economic conditions that have caused a decrease in discount rate. In accordance with accounting rules, the discount rates are tied to the return on high quality corporate bond rates as of each measurement date of the plans' obligations. If discount rates stabilize, the NPPC and NPBC will gradually decline as accumulated losses are reduced through recognition by amortization in the NPPC and NPBC. If discount rates decline, the NPPC and NPBC are expected to increase; conversely, if the discount rates increase, the NPPC and NPBC are expected to decrease.

Future cost will ultimately depend on market conditions as of each valuation date, including the discount rates associated with high-quality corporate bond market, and the actual performance of assets held in the pension trust. There is no definitive way to know what will happen. Plan design changes have lowered exposure to market conditions and should help reduce volatility related to obligations and costs.

The NPBC, after plan design changes and funding to the OPEB plan, appears to be under control at low levels. Based on current conditions, the NPBC is expected to remain low.

Q. Does this conclude your testimony?

A. Yes, it does.

Resume of Leonard E. Smothermon

Name		Leonard E. Smothermon
Present Employer		Willis Towers Watson
Business Address		737 Bishop Street
		Suite 2700
		Honolulu, Hawaii 96813
Telephone		(808)535-0517 business office
		(808)375-2683 mobile
E-mail Address		leonard.smothermon@willistowerswatson.com
Position		Senior Consulting Actuary
		Retirement Practice Leader of Honolulu Office
Employment History		Willis Towers Watson (2001 – present; includes time with Watson Wyatt Worldwide prior to a 1/1/2010 merger with Towers Perrin to form Towers Watson and merger with the Willis Group effective 1/1/2016 to form Willis Towers Watson)
		Honolulu, Hawaii
		Milliman USA (1998 – 2001)
		Dallas, Texas
		Consulting Actuary and Growth Development
		AAC Group (SynHRgy) (1996 – 1998)
		Dallas, Texas
		Consulting Actuary – development of pension administration system
		Milliman & Robertson (1994 – 1996)
		Dallas, Texas
		Consulting Actuary
		Buck Consultants (1985 – 1994)
		Dallas, Texas
		Actuary

Relevant Responsibilities		• Manage the retirement practice of the Honolulu Office of Willis Towers Watson including the oversight of all pension actuarial work prepared by Willis Towers Watson for Hawai'i clients, training of local associates, and responsibility for financial results of the Honolulu office • Financial reporting information under U.S. GAAP (FAS and ASC) and International Accounting Standards for clients • Funding valuations under ERISA and issue resolution for benefit plans • Union negotiations including plan design, costing alternatives and representation of plan proposals to union • Pension and postretirement medical plan design including company objective analysis, costing, testing for non-discrimination and communication • Cost projections and risk issues • Rate case support • Experience studies for assumption setting • Administrative issue resolution for pension plans • Plan termination issues • General pension plan issues • Presentations of relevant material to the benefits community
Education and Professional Development		• Fellow, Conference of Consulting Actuaries • Associate, Society of Actuaries • Member, American Academy of Actuaries • Enrolled Actuary under ERISA • Bachelor of Science with Highest Honors and Academic Distinction from Texas A&M – Commerce (fka East Texas State University)

Comparison of HELCO's Net Periodic Pension Cost Components

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
HEI Retirement Plan (HELCO only)	Plan Year								Change from 2010 actual to 2016:	
	2010 est	2010 actual	2011	2012	2013	2014	2015	2016	(9) - (3)	
Service cost	3,787,000	4,085,127	4,732,305	5,592,443	7,153,122	6,138,820	7,849,643	6,271,691	2,186,564	The service cost increased due to an decrease in discount rate and changes in the demographics including total payroll and the natural progression of the plan including transfers of participants.
Interest cost	8,498,000	8,581,308	8,625,992	8,927,371	8,483,099	9,326,444	9,817,679	9,813,808	1,232,500	The higher interest cost is caused by the normal progression of benefit accruals under the plan and the relationship of the discount application of the discount rate to the projected benefit obligation..
Expected (return) on plan assets	(8,406,000)	(9,755,092)	(9,716,435)	(9,892,327)	(9,842,588)	(10,966,684)	(12,169,590)	(12,402,507)	(2,647,415)	The expected return on the MRV of assets increased as the MRV of assets increased.
Amort of unrecog transition oblig	0	0	0	0	0	0	0	0	0	No change.
Amort of prior service cost (gain)	(121,000)	(121,393)	(121,393)	(121,393)	(82,886)	9,160	4,284	594	121,987	The outstanding base is small and relates to a base established in 2006 for repeal of sunset on Immitations..
Recognized actuarial loss (gain)	2,102,000	1,069,582	2,329,034	3,469,386	5,063,900	2,648,021	4,690,529	3,219,135	2,149,553	The decrease in the amortization of unrecognized losses is due to the corresponding decrease in accumulated unrecognized losses subject to amortization.
Net periodic pension cost (income)	5,860,000	3,859,532	5,849,503	7,975,480	10,774,647	7,155,761	10,192,545	6,902,721	3,043,189	Total change in net period pension cost is the result of offsetting components as described above.
Assumptions										
Discount Rate	6.625%	6.500%	5.680%	5.190%	4.130%	5.090%	4.220%	4.600%	-1.90%	The discount rate as of 12/31/2015 is based on currrent trends in bond rates. A decrease in rates is expected to increase PBO and service cost.
Smoothed Asset Value (market related value) beginning of year	102,654,000	120,028,063	120,891,470	125,451,644	125,709,334	142,595,493	157,027,507	161,424,871	41,396,808	The market-related value of assets (MRV) have increased due to ongoing plan contributions and expected return less benefit payments and the affects of the smoothing methodology.
Fair Value of Assets (beginning of year)	104,372,229	104,372,229	117,877,335	117,847,065	132,042,289	160,212,737	169,302,796	155,237,081	50,864,852	
Projected Benefit Obligation (PBO) begi	131,938,000	135,696,141	155,713,556	176,032,393	209,558,175	187,478,334	237,121,591	218,063,667	82,367,526	The projected benefit obligation increased due to normal progression of benefit accruals under the plan less benefit payments. A change in discount rate will affect the PBO.
Asset Rate of Return	8.250%	8.250%	8.000%	7.750%	7.750%	7.750%	7.750%	7.750%	(0)	No change.
Salary Inflation	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	0	No change.

Comparison of HELCO's Net Periodic Benefit Cost Components

Excludes Executive Life (except for 2010 est)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
HEI OPEB Plan (HELCO only)	Plan Year								Change from 2010 actual to 2016	
	2010 est	2010 Actual	2011	2012	2013	2014	2015	2016	(9) - (3)	Explanation of Change
Service cost	786,000	774,911	601,169	551,237	578,079	458,248	510,610	369,661	(405,250)	The service cost decreased due to eligibility changes in 2011 (only partially recognized in 2011), demographics of the active population and premium levels; these decreases were offset somewhat by the effect of a lower discount rate.
Interest cost	1,772,000	1,604,258	1,290,886	1,237,137	1,011,507	1,151,490	1,206,022	1,172,102	(432,156)	The interest cost has been relatively stable since the design changes of 2011.
Expected (return) on plan assets	(1,486,000)	(1,788,480)	(1,723,538)	(1,639,705)	(1,579,182)	(1,662,933)	(1,749,935)	(1,679,707)	108,773	The decrease in expected return on the MRV of assets is the result of a relatively stable market-related value of assets and a lower expected return assumption.
Amort of unrecog transition oblig	373,000	331,728	331,728	331,743	0	0	0	0	(331,728)	Transition obligation is fully-recognized in 2012.
Amort of prior service cost (gain)	0	(65,018)	(512,639)	(573,905)	(573,905)	(573,905)	(573,905)	(573,905)	(508,887)	Change in benefit design and eligibility resulted in a negative prior service base that is being amortized. This was only partially recognized in 2011.
Recognized actuarial loss (gain)	122,000	0	113,085	295,717	310,938	0	353,158	168,061	168,061	The change in amortization of unrecognized loss is caused by a corresponding change in accumulated unrecognized losses subject to amortization.
Net periodic benefit cost (income)	1,567,000	857,399	100,691	202,224	(252,563)	(627,100)	(254,050)	(543,788)	(1,401,187)	Total change in net periodic cost is due to changes in plan design and the combined effects noted above.
Assumptions										
Discount Rate	6.50%	6.50%	5.60%	4.90%	4.07%	5.03%	4.17%	4.57%	-1.93%	The discount rate is based on a model that matches projected benefit cash flows to high quality bonds available as of the measurement date. A lower discount rate increases the measure of obligation.
Smoothed Asset Value (market related value) beginning of year	21,025,000	24,379,000	24,364,744	24,070,692	24,379,000	24,106,132	25,359,474	24,330,006	(48,994)	A market related value is used to smooth fluctuations in the fair value of plan assets. Recognition of gains and losses are phased in over five years subject to restriction that the market related value be within 15% of fair value. The MRV changed as a result of the smoothing method as well as the net effect of contributions into the plan and benefit payments out of the plan.
Fair Value beginning of year		21,503,523	24,436,615	22,856,271	24,568,908	27,440,514	27,346,813	23,342,209	1,838,686	The fair value of assets is higher as contributions and investment return have exceeded benefit payments.
Accum Postret Ben Obligation (APBO) beginning of year	28,156,000	26,090,792	25,156,680	26,017,930	27,785,342	24,785,562	29,648,629	26,367,158	276,366	The APBO change is a combination of changes in plan design, demographics, discount rate and transfers of participants among utilities.
Asset Rate of Return	8.25%	8.25%	8.00%	7.75%	7.75%	7.75%	7.75%	7.75%	-0.50%	The expected return on assets has been adjusted down since 2010 to reflect future expected market conditions. The rate of return assumption is before reconizing the potential unrelated business income tax (UBIT) on the NBU VEBA investment earnings.
Trend Rates	10% to 5%	9% to 5%	9% to 5%	8.5% to 5%	8.0% to 5%	7.5% to 5%	7.25% to 5%	8.0% to 5%	reset rates	The medical trend rates for 2016 is 8.0% decreasing gradually to an ultimate trend rate of 5%. The initial trend is reduced .25% each year until the ultimate trend rate is reached. The trend rates for dental and vision are unchanged at 5% and 4% respectively.

Confidential Information Deleted
Pursuant To Protective Order No.______.

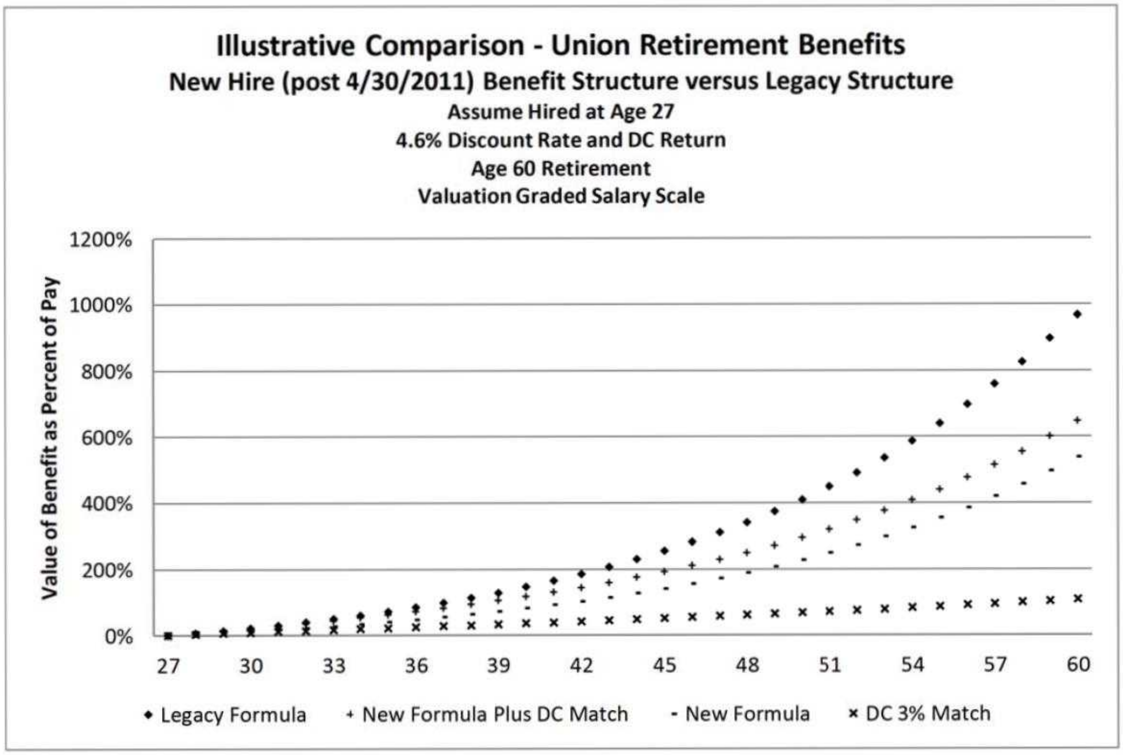
HECO-1303 contains confidential information and

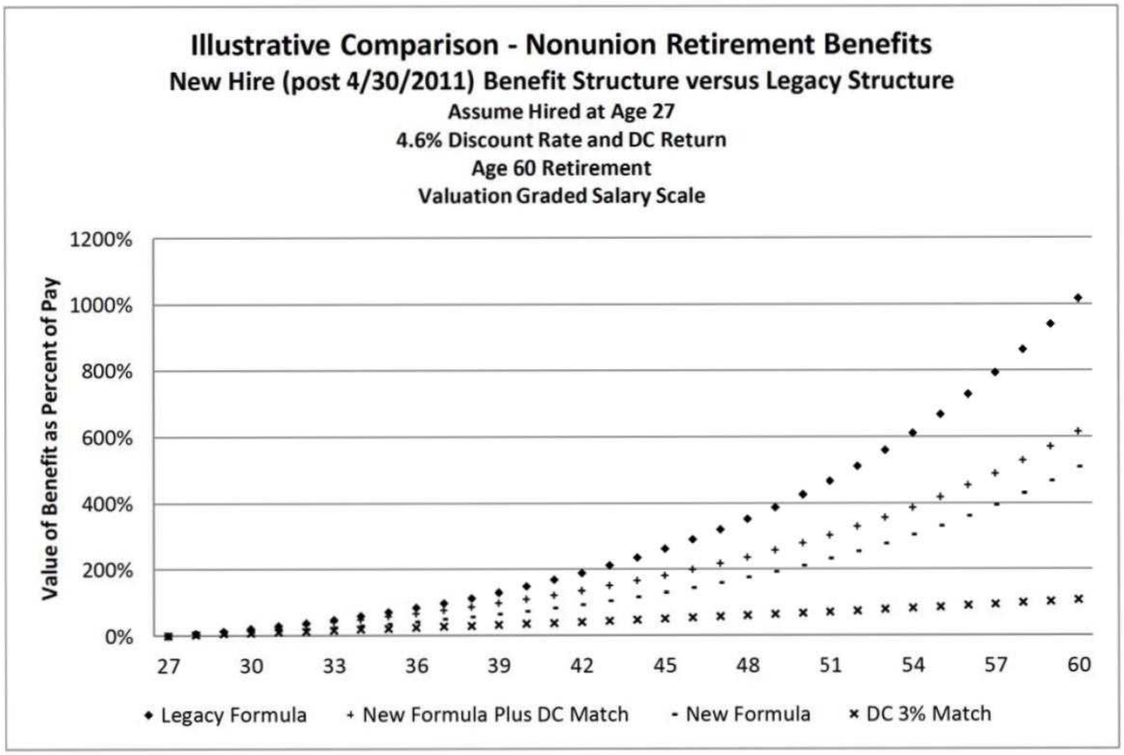
will be provided after a Protective Order is issued in this proceeding.

HECO-1304 contains confidential information and

will be provided after a Protective Order is issued in this proceeding.

Retirement Plan for Employees of Hawaiian Electric Industries, Inc. and Participating Subsidiaries





Retirement Plan for Employees of Hawaiian Electric Industries, Inc. and Participating Subsidiaries

Comparisons of Annual Benefit Accruals as a Percent of Pay Based on Age and Credited Service

Assumptions:				
Discount Rate	4.60%		Salary Scale:	Graded scale used for actuarial valuation
DC Adjustment:	3.00%		Mortality:	RP-2015 Male Annuitant Table
Retirement Age	60			

Negative indicates reduction in benefit accrual

Union - Hired Post 04/30/2011 Formula without Defined Contribution Adjustment MINUS Hired Pre 05/01/2011 Formula

Age	Credited Service 1	2	3	4	5	7	12	17	22	27	32	37
22	-2.22%	-2.43%	-2.64%	-2.86%								
27	-2.79%	-3.00%	-3.21%	-3.43%	-3.64%	-4.06%						
32	-3.50%	-3.72%	-3.94%	-4.15%	-4.37%	-4.81%	-5.90%					
37	-4.39%	-4.62%	-4.85%	-5.08%	-5.31%	-5.76%	-6.90%	-8.04%				
42	-5.52%	-5.76%	-6.01%	-6.25%	-6.49%	-6.98%	-8.21%	-9.43%	-10.66%			
47	-6.94%	-7.21%	-7.48%	-7.74%	-8.01%	-8.55%	-9.90%	-11.25%	-12.60%	-13.95%		
52	-8.79%	-9.10%	-9.40%	-9.71%	-10.02%	-10.63%	-12.16%	-13.70%	-15.23%	-16.76%	-18.30%	
57	-11.31%	-11.67%	-12.03%	-12.39%	-12.75%	-13.47%	-15.28%	-17.09%	-18.89%	-20.70%	-22.51%	3.55%
62	-11.46%	-11.80%	-12.14%	-12.48%	-12.82%	-13.51%	-15.22%	-16.93%	-18.64%	-20.35%	-22.06%	7.04%
67	-9.65%	-9.92%	-10.20%	-10.48%	-10.75%	-11.30%	-12.68%	-14.06%	-15.44%	-16.81%	-18.19%	7.04%

Union - Hired Post 04/30/2011 Formula PLUS Defined Contribution Adjustment MINUS Hired Pre 05/01/2011 Formula

Age	Credited Service 1	2	3	4	5	7	12	17	22	27	32	37
22	0.78%	0.57%	0.36%	0.14%								
27	0.21%	0.00%	-0.21%	-0.43%	-0.64%	-1.06%						
32	-0.50%	-0.72%	-0.94%	-1.15%	-1.37%	-1.81%	-2.90%					
37	-1.39%	-1.62%	-1.85%	-2.08%	-2.31%	-2.76%	-3.90%	-5.04%				
42	-2.52%	-2.76%	-3.01%	-3.25%	-3.49%	-3.98%	-5.21%	-6.43%	-7.66%			
47	-3.94%	-4.21%	-4.48%	-4.74%	-5.01%	-5.55%	-6.90%	-8.25%	-9.60%	-10.95%		
52	-5.79%	-6.10%	-6.40%	-6.71%	-7.02%	-7.63%	-9.16%	-10.70%	-12.23%	-13.76%	-15.30%	
57	-8.31%	-8.67%	-9.03%	-9.39%	-9.75%	-10.47%	-12.28%	-14.09%	-15.89%	-17.70%	-19.51%	6.55%
62	-8.46%	-8.80%	-9.14%	-9.48%	-9.82%	-10.51%	-12.22%	-13.93%	-15.64%	-17.35%	-19.06%	10.04%
67	-6.65%	-6.92%	-7.20%	-7.48%	-7.75%	-8.30%	-9.68%	-11.06%	-12.44%	-13.81%	-15.19%	10.04%

Nonunion - Hired Post 04/30/2011 Formula without Defined Contribution Adjustment MINUS Hired Pre 05/01/2011 Formula

Age	Credited Service 1	2	3	4	5	7	12	17	22	27	32	37
22	-1.55%	-1.70%	-1.85%	-2.01%								
27	-1.98%	-2.14%	-2.30%	-2.45%	-2.61%	-2.92%						
32	-2.53%	-2.69%	-2.85%	-3.01%	-3.18%	-3.50%	-4.32%					
37	-3.20%	-3.38%	-3.55%	-3.72%	-3.89%	-4.23%	-5.09%	-5.95%				
42	-4.06%	-4.24%	-4.43%	-4.61%	-4.79%	-5.16%	-6.09%	-7.01%	-7.93%			
47	-5.13%	-5.33%	-5.54%	-5.74%	-5.95%	-6.35%	-7.37%	-8.39%	-9.41%	-10.43%		
52	-6.53%	-6.76%	-6.99%	-7.22%	-7.46%	-7.92%	-9.08%	-10.24%	-11.40%	-12.55%	-13.71%	
57	-8.42%	-8.70%	-8.97%	-9.24%	-9.51%	-10.06%	-11.43%	-12.79%	-14.16%	-15.52%	-16.89%	11.81%
62	-8.05%	-8.29%	-8.53%	-8.78%	-9.02%	-9.50%	-10.72%	-11.93%	-13.15%	-14.36%	-15.57%	16.51%
67	-6.99%	-7.19%	-7.39%	-7.59%	-7.79%	-8.18%	-9.18%	-10.18%	-11.18%	-12.18%	-13.17%	14.60%

Nonunion - Hired Post 04/30/2011 Formula PLUS Defined Contribution Adjustment MINUS Hired Pre 05/01/2011 Formula

Age	Credited Service 1	2	3	4	5	7	12	17	22	27	32	37
22	1.45%	1.30%	1.15%	0.99%								
27	1.02%	0.86%	0.70%	0.55%	0.39%	0.08%						
32	0.47%	0.31%	0.15%	-0.01%	-0.18%	-0.50%	-1.32%					
37	-0.20%	-0.38%	-0.55%	-0.72%	-0.89%	-1.23%	-2.09%	-2.95%				
42	-1.06%	-1.24%	-1.43%	-1.61%	-1.79%	-2.16%	-3.09%	-4.01%	-4.93%			
47	-2.13%	-2.33%	-2.54%	-2.74%	-2.95%	-3.35%	-4.37%	-5.39%	-6.41%	-7.43%		
52	-3.53%	-3.76%	-3.99%	-4.22%	-4.46%	-4.92%	-6.08%	-7.24%	-8.40%	-9.55%	-10.71%	
57	-5.42%	-5.70%	-5.97%	-6.24%	-6.51%	-7.06%	-8.43%	-9.79%	-11.16%	-12.52%	-13.89%	14.81%
62	-5.05%	-5.29%	-5.53%	-5.78%	-6.02%	-6.50%	-7.72%	-8.93%	-10.15%	-11.36%	-12.57%	19.51%
67	-3.99%	-4.19%	-4.39%	-4.59%	-4.79%	-5.18%	-6.18%	-7.18%	-8.18%	-9.18%	-10.17%	17.60%

Retirement Plan for Employees of Hawaiian Electric Industries, Inc. and Participating Subsidiaries

Present Value of Lower Expected 2016 Benefit Accruals - Post 04/30/2011 Hires Only as of January 1, 2016

Assumptions:				
Discount Rate	4.60%	Salary Scale:	Graded scale used for actuarial valuation
DC Adjustment:	3.00%	Mortality:	RP-2015 Male Annuitant Table
Retirement Age	60		

Negative indicates reduction in benefit accrual

Union - Hired Post 04/30/2011 Formula PLUS Defined Contribution Adjustment MINUS Hired Pre 05/01/2011 Formula

	Count				Pay				Change in PV of Annual Accrual			
	Credited Service				Credited Service				Credited Service			
Age	1	2	3	4	1	2	3	4	1	2	3	4
22	0	1	0	0	0	71,635	0	0	0	406	0	0
27	2	1	1	7	117,915	51,667	77,272	531,502	249	-1	-165	-2,267
32	3	1	3	2	186,951	63,690	195,166	146,890	-934	-457	-1,826	-1,694
37	0	3	2	2	0	197,454	167,814	166,795	0	-3,200	-3,103	-3,465
42	0	0	2	2	0	0	113,818	167,606	0	0	-3,420	-5,447
47	0	2	1	3	0	139,942	72,550	226,969	0	-5,885	-3,247	-10,769
52	0	0	0	0	0	0	0	0	0	0	0	0
57	0	1	0	1	0	91,499	0	84,032	0	-7,930	0	-7,890
62	0	0	0	1	0	0	0	90,085	0	0	0	-8,543
67	0	0	0	0	0	0	0	0	0	0	0	0
Totals	5	9	9	18	304,866	615,887	626,620	1,413,879	-685	-17,067	-11,760	-40,075
				41				2,961,252				-69,586

Nonunion - Hired Post 04/30/2011 Formula PLUS Defined Contribution Adjustment MINUS Hired Pre 05/01/2011 Formula

	Count				Pay				Change in PV of Annual Accrual			
	Credited Service				Credited Service				Credited Service			
Age	1	2	3	4	1	2	3	4	1	2	3	4
22	1	0	0	0	60,600	0	0	0	880	0	0	0
27	1	1	1	0	65,292	80,900	88,000	0	664	696	619	0
32	1	0	3	0	80,028	0	222,627	0	380	0	332	0
37	1	1	0	0	80,900	106,019	0	0	-165	-399	0	0
42	1	0	0	2	90,030	0	0	159,990	-951	0	0	-2,576
47	1	2	0	0	63,386	164,187	0	0	-1,350	-3,831	0	0
52	1	0	1	0	72,900	0	111,481	0	-2,573	0	-4,451	0
57	1	1	1	1	55,724	121,606	81,100	90,015	-3,022	-6,926	-4,840	-5,618
62	0	0	2	0	0	0	151,500	0	0	0	-8,383	0
67	0	0	0	0	0	0	0	0	0	0	0	0
Totals	8	5	8	3	568,860	472,712	654,708	250,005	-6,136	-10,460	-16,723	-8,195
				24				1,946,285				-41,514

Total

	Count				Pay				Change in PV of Annual Accrual			
	Credited Service				Credited Service				Credited Service			
Age	1	2	3	4	1	2	3	4	1	2	3	4
22	1	1	0	0	60,600	71,635	0	0	880	406	0	0
27	3	2	2	7	183,207	132,567	165,272	531,502	913	695	454	-2,267
32	4	1	6	2	266,979	63,690	417,793	146,890	-554	-457	-1,493	-1,694
37	1	4	2	2	80,900	303,473	167,814	166,795	-165	-3,599	-3,103	-3,465
42	1	0	2	4	90,030	0	113,818	327,596	-951	0	-3,420	-8,023
47	1	4	1	3	63,386	304,129	72,550	226,969	-1,350	-9,716	-3,247	-10,769
52	1	0	1	0	72,900	0	111,481	0	-2,573	0	-4,451	0
57	1	2	1	2	55,724	213,105	81,100	174,047	-3,022	-14,856	-4,840	-13,509
62	0	0	2	1	0	0	151,500	90,085	0	0	-8,383	-8,543
67	0	0	0	0	0	0	0	0	0	0	0	0
Totals	13	14	17	21	873,726	1,088,599	1,281,328	1,663,884	-6,821	-27,527	-28,484	-48,269
				65				4,907,537				-111,100

Retirement Plan for Employees of Hawaiian Electric Industries, Inc. and Participating Subsidiaries

Using 2016 Demographics and Pay Level as a Proxy - Project Annual Reduction in Present Value of Benefit Accrual If All Under Post 04/30/2011

Assumptions:	Discount Rate	4.60%	Salary Scale:	Graded scale used for actuarial valuation
	DC Adjustment:	3.00%	Mortality:	RP-2015 Male Annuitant Table
	Retirement Age	60		

Negative indicates reduction in benefit accrual

Count - Union and Nonunion

Age	Credited Service 1	2	3	4	5	7	12	17	22	Over 25	Total
22	1	1	0	0	0	0	0	0	0	0	2
27	3	2	2	7	2	2	0	0	0	0	18
32	4	1	6	2	6	16	7	0	0	0	42
37	1	4	2	2	2	18	7	0	0	0	36
42	1	0	2	4	1	10	7	3	4	0	32
47	1	4	1	3	1	9	15	3	19	0	56
52	1	0	1	0	0	3	8	5	15	10	43
57	1	2	1	2	0	5	6	1	6	13	37
62	0	0	2	1	0	3	3	1	2	5	17
67	0	0	0	0	0	1	0	1	0	2	4
Total	13	14	17	21	12	67	53	14	46	30	287

Pay - Union and Nonunion

Age	Credited Service 1	2	3	4	5	7	12	17	22	Over 25	Total
22	60,600	71,635	0	0	0	0	0	0	0	0	132,235
27	183,207	132,567	165,272	531,502	179,317	186,805	0	0	0	0	1,378,670
32	266,979	63,690	417,793	146,890	554,147	1,397,138	662,896	0	0	0	3,509,533
37	80,900	303,473	167,814	166,795	161,824	1,643,908	597,155	0	0	0	3,121,869
42	90,030	0	113,818	327,596	80,142	885,464	610,285	333,994	391,560	0	2,832,889
47	63,386	304,129	72,550	226,969	91,210	675,670	1,424,826	294,289	1,837,351	0	4,990,380
52	72,900	0	111,481	0	0	254,301	731,908	520,125	1,479,609	1,017,015	4,187,339
57	55,724	213,105	81,100	174,047	0	345,644	541,637	109,136	600,542	1,441,542	3,562,477
62	0	0	151,500	90,085	0	299,796	288,285	91,001	238,725	525,069	1,684,461
67	0	0	0	0	0	90,542	0	94,400	0	192,314	377,256
Total	873,726	1,088,599	1,281,328	1,663,884	1,066,640	5,779,268	4,856,992	1,442,945	4,547,787	3,175,940	25,777,109

Change in Present Value of Annual Benefit Accrual - Union and Nonunion - 2016 Dollars

Age	Credited Service 1	2	3	4	5	7	12	17	22	Over 25	Total
22	880	406	0	0	0	0	0	0	0	0	1,286
27	913	695	454	-2,267	-1,146	-1,988	0	0	0	0	-3,337
32	-554	-457	-1,493	-1,694	-5,338	-21,952	-17,768	0	0	0	-49,256
37	-165	-3,599	-3,103	-3,465	-3,731	-37,967	-22,083	0	0	0	-74,113
42	-951	0	-3,420	-8,023	-2,801	-31,963	-29,965	-15,431	-29,977	0	-122,531
47	-1,350	-9,716	-3,247	-10,769	-2,686	-31,325	-93,314	-21,106	-150,098	0	-323,611
52	-2,573	0	-4,451	0	0	-19,404	-61,810	-44,356	-164,412	-144,753	-441,758
57	-3,022	-14,856	-4,840	-13,509	0	-27,422	-62,702	-10,685	-79,746	-179,463	-396,244
62	0	0	-8,383	-8,543	0	-23,164	-30,984	-12,674	-29,795	-79,616	-193,159
67	0	0	0	0	0	-7,518	0	-6,778	0	14,134	-161
Total	-6,821	-27,527	-28,484	-48,269	-15,702	-202,702	-318,626	-111,030	-454,029	-389,697	-1,602,885

Change in Present Value of Annual Benefit Accrual - Union and Nonunion - Percent of Pay

Age	Credited Service 1	2	3	4	5	7	12	17	22	Over 25	Total
22	1.45%	0.57%									0.97%
27	0.50%	0.52%	0.27%	-0.43%	-0.64%	-1.06%					-0.24%
32	-0.21%	-0.72%	-0.36%	-1.15%	-0.96%	-1.57%	-2.68%				-1.40%
37	-0.20%	-1.19%	-1.85%	-2.08%	-2.31%	-2.31%	-3.70%				-2.37%
42	-1.06%		-3.01%	-2.45%	-3.49%	-3.61%	-4.91%	-4.62%	-7.66%		-4.33%
47	-2.13%	-3.19%	-4.48%	-4.74%	-2.95%	-4.64%	-6.55%	-7.17%	-8.17%		-6.48%
52	-3.53%		-3.99%			-7.63%	-8.45%	-8.53%	-11.11%	-14.23%	-10.55%
57	-5.42%	-6.97%	-5.97%	-7.76%		-7.93%	-11.58%	-9.79%	-13.28%	-12.45%	-11.12%
62			-5.53%	-9.48%		-7.73%	-10.75%	-13.93%	-12.48%	-15.16%	-11.47%
67						-8.30%		-7.18%		7.35%	-0.04%
Total	-0.78%	-2.53%	-2.22%	-2.90%	-1.47%	-3.51%	-6.56%	-7.69%	-9.98%	-12.27%	-6.22%

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TOWERS WATSON

Attraction and Retention: What Employees Value Most

By Steve Nyce

Even with unacceptably high unemployment in the national economy, U.S. companies are struggling to attract talented employees with critical skills.[1] Employees, meanwhile, remain anxious about their retirement prospects and yearn for financial security, including benefit guarantees.[2] Workers' reordered priorities are shaping their decisions about whether to take a new job or to remain with their current employer, according to the 2011 *Towers Watson Retirement Attitudes Survey.* This article describes the attraction and retention value employees assign to their employer's health and retirement benefits.

The right mix of benefits can be a critical component in a successful long-term plan for attracting and retaining employees, proving to be the competitive advantage employers need to succeed in a challenging economic environment.

This article is the last in a three-part series based on the Towers Watson survey, which highlights American workers' attitudes toward their household finances, employer-provided benefits and retirement readiness. The first article, "Retirement Planning in a Post-Crisis Economy," focused on workers' finances, retirement plans and savings, and retirement delays. The second article, "American Workers Seek More Security in Retirement and Health Plans," looked at how the financial crisis and its fallout have changed the trade-offs employees are willing to make to reduce their retirement and health care risks.

Survey highlights

- Between 2009 and 2011, the percentage of workers younger than 40 who agreed their retirement program was an important factor in accepting their job jumped from 28% to 63%.
- More than three-quarters of new hires at companies sponsoring defined benefit (DB) plans say the retirement program gives them a compelling reason to stay on the job, and 85% hope to work with their employer until they retire.
- Forty-six percent of all respondents agree that health benefits were an important factor in their decision to work for their employer, and 55% consider the benefits a good reason to keep working for their employer.
- Among DB plan participants in 2011, 51% say the company's retirement program played a strong role in their decision to join the company, up considerably from 31% in 2009, and there was a similar jump in the attraction value of health benefits. Retirement and health plans have also gained considerably more retention value since 2009, especially among companies with DB plans.
- Workers who lost a DB plan value their company's retirement program even less than workers at companies with only defined contribution (DC) plans. These employees are least likely to want to work for their employer until retirement.
- Among workers of all ages with a DB plan, both retirement and health care benefits are among the top four influences on job acceptance.

Health care and retirement benefits are powerful attraction and retention tools

Retirement and health care benefits have long played important roles in workers' employment decisions. Given today's rising health costs, it's not surprising that health care benefits — for both active and retired employees — are an important attraction and retention tool (*Figure 1*, next page). The high cost of health care leads employees' list of retirement security concerns and significantly affects their retirement timing decisions.[3]

Retirement benefits trail health care benefits for both attraction and retention. Roughly one-third of all responding employees say their retirement benefits were a primary reason for taking their current job, and nearly half say the benefits give them a compelling reason to stay.

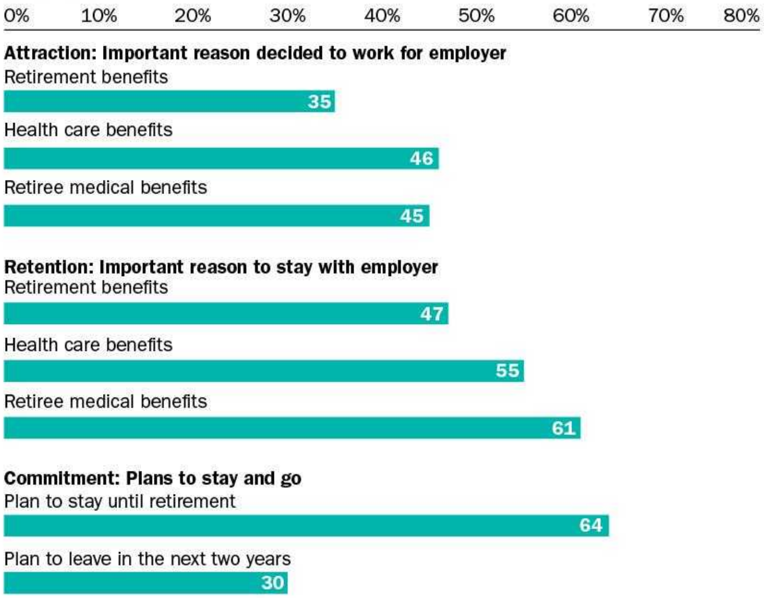
"Retirement benefits trail health care benefits for both attraction and retention."

[1] See "The Talent Management and Rewards Imperative for 2012: Leading Through Uncertain Times," 2011/2012 Talent Management and Rewards Study, North America, Towers Watson Research Report at www.towerswatson.com/research/5563#Home.

[2] See the first two articles in this research series, "Retirement Planning in a Post-Crisis Economy," *Insider,* January 2012, at www.towerswatson.com/united-states/newsletters/insider/6214; and "American Workers Seek More Security in Retirement and Health Plans," *Insider,* February 2012, at www.towerswatson.com/united-states/newsletters/insider/6411.

[3] Ibid.

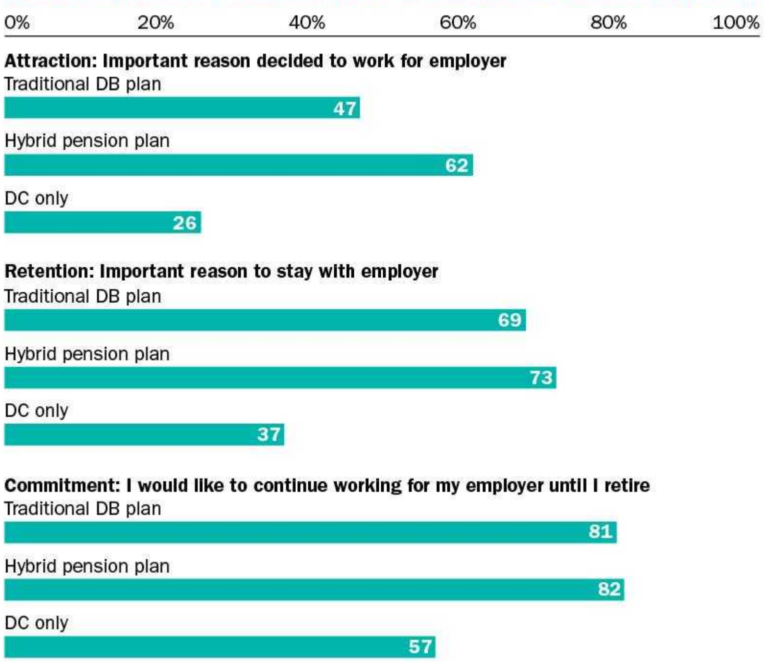
Figure 1. Importance of retirement and health care plans for attraction and retention



Notes: The survey asked respondents separately about the importance of retirement, active health care and retiree health care benefits as reasons to join and remain with their current employer. Percentages indicate responses of "somewhat agree" or "strongly agree" by those offered the benefits by their employer.

Source: 2011 *Towers Watson Retirement Attitudes Survey.*

Figure 2. Importance of retirement plans for attraction and retention by plan type



Note: Percentages indicate responses of "somewhat agree" or "strongly agree."
Source: 2011 *Towers Watson Retirement Attitudes Survey.*

For employees with a DB plan, the plan strongly attracted them to the company

Plan type is decisive for both attraction and retention. Generally, DB plans carry more weight than DC plans in attracting and retaining employees. Roughly half of employees who work for companies with DB plans say the plan strongly influenced them to accept their job, compared with one-quarter at companies with only a DC plan (*Figure 2*).

At first blush, it appears that hybrid plans — which typically provide less generous benefits than traditional DB plans — do an even better job than traditional DB plans of attracting employees. But the average age of respondents with hybrid plans is 40, while the average age of those with traditional DB plans is 49. As we explore in more detail below, retirement benefits have become more important to younger and newly hired employees in recent years.

At companies with traditional DB plans, 69% of employees say their retirement program gives them an important reason to stay with their employer, compared with 37% of those at DC-plan-only companies. Indeed, more than 80% of employees at companies with DB plans — both traditional and hybrid — hope to work for their current employer until they retire, compared with only 57% of employees at DC-plan-only organizations.

Cuts in retirement benefits hurt attraction and retention

As companies have grappled with tighter margins and looked for ways to trim costs over the last few years, employees have felt the squeeze in their pay and benefits.

How have these cutbacks affected attraction and retention? The answer depends on the type and severity of the curtailment. Employees who still have their DB plan and/or retiree medical benefits continue to cite their retirement program as an important reason for joining or remaining with the company.

In organizations that changed their DB plan — such as by closing it to new hires, converting to a hybrid plan or freezing benefit increases — employees who retain their plan, albeit in a modified form, are only slightly less likely than those with an unchanged DB plan to say it strongly affects their employment choices. But employees quickly change their tune if they lose DB accruals altogether, even when the company tries to offset the loss by contributing more to the DC plan. In fact, as shown in *Figure 3,* workers who lost a DB plan are less likely than those with only DC plans (from 2009 to 2011) to value their retirement program as a reason to stay (33% versus 38%). Former holders of DB plans are least likely to want to keep working for their employer until retirement (53%). A very similar pattern emerges for employees who recently lost their retiree medical benefits.

Retirement programs also lose attraction and retention value at organizations that reduce their 401(k) matching contributions. Employees at companies that scaled back their matching contributions are less likely to want to stay until retirement than workers whose matching contributions were not interrupted (58% versus 66%). Similarly, employees at firms that froze pay increases or reduced or eliminated bonuses are less committed to a long career with their employer. The effects of 401(k) cutbacks and pay reductions, however, are much less striking than the loss of DB plan accruals.

Retirement and health care benefits gain importance as attraction and retention tools

The economic upheavals of the last few years have made financial security a much more valuable commodity. The percentage of employees at organizations with a DB plan who said the plan was an important reason they joined their company rose from 31% in 2009 to 51% in 2011 — nearly a 65% increase — compared with a 23% boost for employees at organizations with DC plans (*Figure 4*). Likewise, health care benefits have become increasingly important to all employees, although DB plan participants value them more highly than do those with only DC plans. In companies with DB plans, the percentage of employees citing their health care plan as an important reason for joining their employer rose from 36% in 2010 to 52% in 2011 — roughly a 50% jump over one year.

Retirement programs have also become more valuable retention tools since 2009, although the gains accrue disproportionately to DB plan sponsors. Over the last three years, the percentage of workers saying their retirement program gives them an important reason to stay with their employer jumped from 52% to 68% (*Figure 5*). While health care gained retention value among all employees, its value is highest at companies with a DB plan.

Figure 3. Importance of retirement program for attraction and retention and effects of employer changes

	Changes over the last three years?	My company's retirement program is an important reason … To join	To stay	I would like to continue working for my current employer until I retire
All respondents		35%	47%	64%
Made changes to DB plan	Yes, but still have DB plan	50%	65%	77%
	Yes, now DC only	27%	33%	53%
	No, still have DB plan	51%	70%	79%
	No, DC only	26%	38%	58%
Cut 401(k) match	Yes	32%	39%	58%
	No	36%	50%	66%
Cut retiree medical benefits	Yes, but still have RM plan	57%	64%	73%
	Yes, now no RM plan	32%	34%	57%
	No, still have RM plan	54%	74%	79%
	No, don't have RM plan	40%	44%	68%
Reduced pay	Yes	31%	43%	59%
	No	37%	50%	67%

Note: Percentages indicate responses of "somewhat agree" or "strongly agree."
Source: 2011 *Towers Watson Retirement Attitudes Survey.*

Figure 4. Growing importance of retirement and health care plans for attraction

	DB plan			DC only		
	Feb. 2009	June 2010	June 2011	Feb. 2009	June 2010	June 2011
My company's retirement program was an important reason I decided to work for my current employer	31%	33%	51%	21%	21%	26%
My company's health care program was an important reason I decided to work for my current employer	N/A	36%	52%	N/A	28%	43%
My company's retiree health program was an important reason I decided to work for my current employer	N/A	N/A	48%	N/A	N/A	32%

Note: Percentages indicate responses of "somewhat agree" or "strongly agree."
Source: 2011 *Towers Watson Retirement Attitudes Survey.*

Figure 5. Growing importance of retirement and health care plans for retention

	DB plan			DC only		
	Feb. 2009	June 2010	June 2011	Feb. 2009	June 2010	June 2011
My company's retirement program is an important reason I will stay with my current employer	52%	59%	68%	33%	32%	37%
My company's health care program is an important reason I will stay with my current employer	N/A	55%	65%	N/A	45%	50%
My company's retiree health program is an important reason I will stay with my current employer	N/A	N/A	63%	N/A	N/A	54%
I would like to continue working for my current employer until I retire	67%	80%	79%	53%	62%	57%
I will probably leave my current employer within the next two years	16%	20%	30%	22%	24%	30%

Note: Percentages indicate responses of "somewhat agree" or "strongly agree."
Source: 2011 *Towers Watson Retirement Attitudes Survey.*

Figure 6. Importance of retirement plan for attraction and retention by age and plan type

		DB plan				DC only			
	Age	Feb. 2009	June 2010	June 2011	Percentage point change	Feb. 2009	June 2010	June 2011	Percentage point change
My company's retirement program was an important reason I decided to work for my current employer	<40	28%	43%	63%	35 pps	19%	17%	28%	9 pps
	40s	38%	24%	43%	5 pps	21%	24%	22%	1 pps
	50+	30%	35%	40%	10 pps	27%	20%	25%	–2 pps
My company's retirement program is an important reason I will stay with my current employer	<40	37%	63%	72%	35 pps	29%	26%	36%	7 pps
	40s	61%	51%	61%	0 pps	32%	37%	33%	1 pps
	50+	61%	61%	68%	7 pps	37%	32%	45%	8 pps
I would like to continue working for my current employer until I retire	<40	44%	70%	74%	30 pps	37%	39%	47%	10 pps
	40s	74%	76%	77%	3 pps	58%	66%	63%	5 pps
	50+	81%	87%	86%	5 pps	80%	76%	76%	–4 pps

Note: Percentages indicate responses of "somewhat agree" or "strongly agree."
Source: 2011 *Towers Watson Retirement Attitudes Survey.*

In terms of longevity, employee commitment is strongest for those with DB plans. Nearly four of five DB plan participants say they want to work for their employer until they retire, compared with two-thirds in 2009. Conversely, the comparable percentage has risen very slightly among employees at companies with only a DC plan over the three-year period.

While the number of employees planning to stay put until they retire is rising, there is also a surprising uptick in the number of employees planning to leave within the next two years, particularly among those with a DB plan. Pent-up retirement demand could be one explanation — reflecting the backlog of older workers whose delayed retirement is finally at hand. This could reflect the improvement in 401(k) account balances as equity prices have recovered from their lows in 2009.

Moreover, an increasing number of younger employees — particularly those with DB plans — appear conflicted about whether to switch employers. Poor economic conditions, including beleaguered labor and housing markets, have stifled job mobility over the last few years, as evidenced by plummeting voluntary turnover rates.[4] While younger workers seem to feel the attraction of security and DB retirement programs these days, they might also have a countervailing desire for new opportunities at other organizations when conditions improve. By contrast, employees at companies with only a DC plan — who are less likely to view their employer as long term to begin with — might have fewer conflicts. These trends highlight an attractive opportunity for DB plan sponsors to create a workforce management profile that leverages greater stability and company experience.

"Younger DB plan participants are more than twice as likely as their counterparts with only a DC plan to say their retirement program strongly influenced their decision to join their company."

Retirement security holds new appeal for youngest workers

A secure retirement program holds increasing appeal to all workers, but the increase is especially striking among DB plan participants younger than 40 (*Figure 6*). Between 2009 and 2011, the percentage of workers younger than 40 citing their retirement program as an important factor in accepting their job more than doubled — from 28% to 63% — compared with a nine percentage point gain for employees at organizations that offer only a DC plan. Younger DB plan participants are more than twice as likely as their counterparts with only a DC plan to say their retirement program strongly influenced their decision to join their company.

Retirement plans have also become more potent retention tools, again particularly among younger employees with a DB plan. Indeed, nearly three-quarters of these employees cite their retirement program as a strong incentive to stay with their employer — double the percentage in 2009 and twice the retention value reported by younger employees at DC-plan-only companies. The growing retention value of DB plans is also reflected in the substantial uptick in the number of younger DB plan participants who hope to work for their employer until retirement. The strong bond between employees and employers with a DB plan is evident among employees of all ages.

Defined benefit programs gain importance with new hires

Perceptible changes in the employment decisions of recent hires seem to confirm that retirement security has taken on paramount importance for job seekers. Between 2009 and 2011, the number of DB plan participants hired within the last two years who say

[4] See "The Talent Management and Rewards Imperative for 2012: Leading Through Uncertain Times," 2011/2012 Talent Management and Rewards Study, North America, Towers Watson Research Report at www.towerswatson.com/research/5563#Home.

Figure 7. Importance of retirement plan for attraction and retention by years of service and plan type

	Tenure	DB plan Feb. 2009	June 2010	June 2011	Percentage point change	DC only Feb. 2009	June 2010	June 2011	Percentage point change
My company's retirement program was an important reason I decided to work for my current employer	<2 yrs	27%	60%	70%	43 pps	16%	20%	27%	11 pps
	2–5 yrs	18%	30%	67%	49 pps	19%	19%	19%	0 pps
	6–10 yrs	38%	38%	49%	11 pps	23%	22%	27%	4 pps
	10+ yrs	33%	31%	44%	11 pps	24%	21%	30%	6 pps
My company's retirement program is an important reason I will stay with my current employer	<2 yrs	51%	72%	77%	26 pps	26%	26%	34%	8 pps
	2–5 yrs	34%	51%	71%	37 pps	28%	24%	29%	1 pps
	6–10 yrs	45%	53%	63%	18 pps	31%	32%	38%	7 pps
	10+ yrs	60%	61%	69%	9 pps	41%	36%	43%	2 pps
I would like to continue working for my current employer until I retire	<2 yrs	66%	83%	85%	19 pps	45%	45%	53%	8 pps
	2–5 yrs	47%	59%	73%	26 pps	34%	49%	47%	13 pps
	6–10 yrs	56%	74%	69%	13 pps	52%	63%	52%	0 pps
	10+ yrs	77%	85%	83%	6 pps	70%	70%	70%	0 pps

Note: Percentages indicate responses of "somewhat agree" or "strongly agree."
Source: 2011 *Towers Watson Retirement Attitudes Survey.*

the retirement program was an important factor in choosing their employer jumped from 27% to 70% (*Figure 7*). At companies with DB plans, employees hired within the last two to five years were more than 3.5 times as likely to say their retirement program strongly affected their decision (67% versus 18%). Meanwhile, retirement programs have become only slightly better attraction tools at companies with only a DC plan over the last three years.

Many more workers who accept a job that offers a DB plan intend on a long career with their employer. More than three-quarters of new hires at companies with a DB plan say the retirement program gives them an important reason to stay on the job, and 85% say they hope to work for their employer until retirement.

Employees cite job security, pay and good benefits as top reasons for taking their job

Given the state of the economy and job market, it is no surprise that job security, base pay and benefits rank high on the list of factors that influence all employees to accept a job (*Figures 8* to *10*, next page). While health and retirement benefits have traditionally held the strongest appeal for older workers, younger workers have gained an appreciation for them as well. For workers of all ages with a DB plan, both retirement and health care benefits are among the top four influences on job acceptance. For the first time, younger employees with a DB plan cite retirement benefits more often than vacation/paid time off.

Employees at DC-plan-only companies generally rank retirement benefits as far less important than do workers at companies with a DB plan. But all employees report that health care benefits were pivotal in attracting them to their current job. These findings reinforce the results in the first two articles in this series showing the inextricable link between rising health care costs and employees' growing concerns about financial and retirement security.[5]

Conclusion

As the economic recovery hangs in the balance, employers and employees alike are taking a wait-and-see approach in matters of employment. Many businesses are flush with cash but reluctant to make more capital investments or hire more workers, choosing to focus instead on strengthening their balance sheets. Meanwhile, many employees have been in a comparable holding pattern, shoring up their household finances and waiting for the dust to settle before exploring new job opportunities.

These trends have helped organizations reduce costly and unwanted turnover, which has boosted their bottom line. But employees have been asked to work longer hours while seeing their merit increases squeezed and their jobs become less secure. Naturally enough, many of them now value financial security considerably more highly than they did before the financial crisis.

Retirement and health care benefits are a cornerstone of compensation, and today's precarious economic

"For the first time, younger employees with a DB plan cite retirement benefits more often than vacation/paid time off."

[5] See Steve Nyce, "American Workers Seek More Security in Retirement and Health Plans," *Insider*, February 2012, at www.towerswatson.com/united-states/newsletters/insider/6411.

Figure 8. Most important factors in attracting employees younger than 40 to a company

	Younger than 40		Younger than 40 with DB plan		Younger than 40 with DC plan only
1.	Job security	1.	Job security	1.	Job security
2.	Base pay	2.	Base pay	2.	Base pay
3.	Health care benefits	3.	Health care benefits	3.	Health care benefits
4.	Vacation/paid time off	4.	Retirement benefits	4.	Vacation/paid time off
5.	Organization's reputation as a great place to work	5.	Vacation/paid time off	5.	Organization's reputation as a great place to work
6.	Length of commute	6.	Career development opportunities	6.	Length of commute
7.	Career development opportunities	7.	Organization's reputation as a great place to work	7.	Career development opportunities
8.	Retirement benefits	8.	Promotion opportunities	8.	Challenging work
9.	Challenging work	9.	Incentive pay opportunity	9.	Retirement benefits
10.	Promotion opportunities	10.	Length of commute	10.	Promotion opportunities

Note: Ranking is based on five most important factors out of 23 options.
Source: 2011 *Towers Watson Retirement Attitudes Survey.*

Figure 9. Most important factors in attracting employees in their 40s to a company

	Age 40–49		Age 40–49 with DB plan		Age 40–49 with DC plan only
1.	Health care benefits	1.	Health care benefits	1.	Health care benefits
2.	Base pay	2.	Base pay	2.	Base pay
3.	Job security	3.	Job security	3.	Job security
4.	Vacation/paid time off	4.	Retirement benefits	4.	Vacation/paid time off
5.	Challenging work	5.	Organization's reputation as a great place to work	5.	Challenging work
6.	Organization's reputation as a great place to work	6.	Challenging work	6.	Length of commute
7.	Retirement benefits	7.	Vacation/paid time off	7.	Organization's reputation as a great place to work
8.	Length of commute	8.	Career development opportunities	8.	Retirement benefits
9.	Career development opportunities	9.	Length of commute	9.	Career development opportunities
10.	Relationship with supervisor/manager	10.	Incentive pay opportunities	10.	Relationship with supervisor/manager

Note: Ranking is based on five most important factors out of 23 options.
Source: 2011 *Towers Watson Retirement Attitudes Survey.*

Figure 10. Most important factors in attracting employees age 50 and older to a company

	Age 50+		Age 50+ with DB plan		Age 50+ with DC plan only
1.	Job security	1.	Job security	1.	Health care benefits
2.	Health care benefits	2.	Retirement benefits	2.	Job security
3.	Base pay	3.	Health care benefits	3.	Length of commute
4.	Retirement benefits	4.	Base pay	4.	Base pay
5.	Length of commute	5.	Challenging work	5.	Vacation/paid time off
6.	Challenging work	6.	Vacation/paid time off	6.	Challenging work
7.	Vacation/paid time off	7.	Organization's reputation as a great place to work	7.	Organization's reputation as a great place to work
8.	Organization's reputation as a great place to work	8.	Length of commute	8.	Retirement benefits
9.	Organization's product(s) or service(s)	9.	Career development opportunities	9.	Physical work environment
10.	Caliber of coworkers	10.	Organization's product(s) or service(s)	10.	Organization's product(s) or service(s)

Note: Ranking is based on five most important factors out of 23 options.
Source: 2011 *Towers Watson Retirement Attitudes Survey.*

conditions have strengthened their appeal. The most striking shift in attitudes toward retirement security, risk tolerance, and the value of retirement and health care benefits has been among younger employees at organizations with a DB plan. This seems surprising at first, as young people are generally more risk tolerant than their elders. But this recession has hit younger workers particularly hard. Few new jobs have been created and more older employees are delaying retirement, making it more difficult for younger workers to find jobs or to advance in their careers.

These findings highlight the considerable differences in employee attitudes toward benefits and acceptable levels of risk among different workers. Conventional approaches that segment employees by age or generation might overlook salient differences in workers' preferences that directly affect attraction and retention. This research shows strong evidence that employers with a DB plan will have more stable workforces than those with only DC plans.

In good economic times and bad, attracting, developing and retaining a talented workforce provides a competitive edge. Companies should consider their rewards — specifically their benefit programs — in the context of their business strategy and objectives as well as these emerging trends in worker preferences. For the time being at least, it appears a significant segment of the workforce under 40 highly values the security provided by a DB plan. Employers with existing DB plans have a significant competitive advantage in attracting and retaining these employees. In this way, employers can reduce human capital risks and increase the returns they accrue from their reward and talent management programs.

About the survey

The *Towers Watson Retirement Attitudes Survey* was conducted in June/July 2011 and includes responses from 9,218 full-time U.S. employees at nongovernmental organizations with 1,000+ employees. This is Towers Watson's fifth consecutive year of surveying U.S. employees about their attitudes toward their health care and retirement benefits. The primary results reported in this article reflect a subset of questions about retirement and health care programs completed by 3,074 respondents. Comparable surveys fielded in February 2009 and May/June 2010 asked similar questions, and we use selective results from those surveys to track trends in employee attitudes. All results are weighted by age, gender and household income to the national average of workers. Margins of error for the total sample are +/– 1.2% and for the benefits sample are +/– 1.7%.

Respondents were asked to self-report whether they participate in a DB pension plan and/or a 401(k)/403(b) retirement savings plan. Within the sample of respondents to the retirement and health care questions, 1,662 had only a DC plan and 1,232 had a DB plan. Nearly all respondents with a DB plan also had a DC plan (92%). Roughly 80% of respondents with a DB plan are currently accruing benefits under their plan. Among those whose benefits are frozen, 70% are age 50 or older, and 85% have 10 or more years of service with their current employer. Younger employees with a DB plan were oversampled in order to improve confidence in comparisons of retirement attitudes by plan types and age groups. Margins of error for the age and plan type results are +/– 5% or less.

"This research shows strong evidence that employers with a DB plan will have more stable workforces than those with only DC plans."

Components of Net Periodic Pension Costs ("NPPC")
and Net Periodic Benefit Costs ("NPBC")

Accounting Standards Codification 715 ("ASC 715") replaced Financial Accounting Standards 87 and 106 (FAS87 and FAS106); concepts of recognition were not changed, but references are different. FASB has a cross reference available to match prior FASB statements to the Accounting Standards Codification. ASC 715 provides guidance on the disclosure and other accounting and reporting requirements related to single employer defined benefit pension and other postretirement benefit plans. This summary pertains to recognition of net periodic cost and excludes any discussion of accounting for settlements, curtailments and certain termination benefits.

ASC 715-30-35-4 and ASC 715-60-35 specify six basic components of NPPC and NPBC respectively:

1) Service Cost;
2) Interest Cost;
3) Expected Return on Assets;
4) Amortization of Transition Obligation;
5) Amortization of Prior Service Cost; and
6) Amortization of (Gain)/Loss

These components are described below.

1) Service Cost

The service cost component of NPPC or NPBC is the "actuarial present value" of the benefits attributed by the benefit formula for the year and expected to be earned during the year reflecting projected pay to expected retirement age. An attribution method is adopted to reflect a reasonable pattern of benefit accrual for recognition purposes. For the test year, the actuary used certain assumptions to estimate the Company-provided share of the benefits to be earned by an employee during the year and determined the present value of these benefits (i.e., the service cost) assuming a discount rate of 4.60% for pension plans and 4.57% for OPEB plans for the 2016 test year. The discount rate is a rate selected by the plan sponsor for purposes of valuing pension benefit obligations for financial reporting purposes. Selection of the discount rate is further discussed in Factors Underlying Pension and Benefit Cost, HELCO-1307A.

2) Interest Cost

Interest cost is the increase in the present value of the projected benefit obligation ("PBO") for pension plans or the accumulated postretirement benefit obligation ("APBO") for other postretirement benefit plans due to the passage of one year's time. The PBO is an estimate of present value of pension benefits accrued through the valuation date using projected salary levels and based on assumptions, including the discount rate, outlined in the actuarial valuation. The APBO is the present value of other postretirement benefits (e.g., postretirement medical and life benefits) based on the substantive plan and attribution method based on assumptions including a discount rate, outlined in the actuarial valuation. The present values of the PBO and APBO are discounted amounts based on an assumed discount rate.

3) Expected Return on Assets

The expected return on plan assets is also used in the computation of pension cost for the year. The Company's overall pension costs are reduced by earnings on assets that have been accumulated with contributions to the pension fund. An expected return assumption is selected by the Company based on the asset allocation of the trust and long-term return expectations of the various asset classes held by the trust. The actual return on plan assets includes the plan's dividend and interest income for the year, plus realized and unrealized appreciation less any depreciation in the market value of its investments and the expenses related to benefits paid, administration and investing the fund. The difference between the expected return on assets and the actual return on assets is recognized through gains and losses.

The test year expected return on assets was based on a 7.75% return assumption. This rate is intended to reflect the average long term rate of earnings expected on investments in the pension fund.

4) Amortization of Transition Obligation

The amortization of transition obligation is the difference between the fair market value of plan assets and the actuarial present value of pension benefits earned at the time of transition to the provisions of SFAS 87 and SFAS 106. Hawai'i Electric Light's transition obligation has been fully amortized.

5) Amortization of Prior Service Cost

The amortization of prior service cost is the amortization of a change in the projected benefit obligation due to a plan amendment. Under ASC 715 increases or decreases in the PBO or APBO due to a plan change are amortized as a component of future costs over the average remaining service lives of active employees expected to receive benefits at the time of the amendment.

6) Amortization of Gains and Losses

The amortization of gains and losses are changes in the amount of either the obligation or the plan assets different from expectations. These changes result from experience that is different from what is expected (such as asset returns being more or less than the expected return assumption, salary increases being more or less than anticipated, employees retiring at different ages than expected, retirees living shorter or longer than expected, etc.) and from changes in assumptions (different discount rates from year to year or changes in demographic assumptions based on plan experience).

If accumulated gains and losses are greater than a "corridor" amount, a portion outside the corridor is recognized in the current year (determined as the excess over the corridor amortized over the average remaining service lives of active employees expected to receive benefits under the plan). The corridor is 10% of the greater of the PBO (or APBO) and the market-related value of assets.

Factors Underlying Pension and Benefit Cost

The factors used to determine the Company's pension and other postretirement benefit cost are requirements of the Financial Accounting Standards Board Accounting Standards Codification 715 ("ASC 715" formerly known as SFAS 87 and SFAS 106). The factors used include the following:

1) plan provisions,
2) employee demographics,
3) trust fund performance,
4) actuarial assumptions, and
5) methodology for determination of the value of plan assets.

These factors are described below.

1) Plan Provisions

The provisions of the pension plan determine the amounts that will be paid to employees when they become eligible to retire. For members of the bargaining unit, the plan provisions are negotiated between the Company and the IBEW, Local 1260. A different benefit formula applies to merit employees, but other plan provisions are the same as those for bargaining unit employees. Similarly, the provisions of the other postretirement benefits (retiree medical, drug and life benefits) are negotiated between the Company and IBEW Local 1260; some benefits differ for merit employees.

2) Employee Demographics

Benefits are determined by employees' years of service, age at retirement, and wage levels or average salary levels at time of retirement. The length of benefit payments depends on how long the employee lives, whether or not the employee has a surviving spouse at the time of death and how long the surviving spouse lives. Therefore, employee demographics such as hire dates, birthdates, pay rates, sex and marital status are used to determine benefit levels. The Company provides the actuary with information about employees (age, sex, status, years of service, pay/salary rates) as of January 1 of each year which is used to determine the pension cost for that year.

<u>3) Trust Fund Performance</u>

The performance of the trust fund also affects pension and/or OPEB cost. The Company's contributions are accumulated in a trust from which retirement benefits are paid. Other postretirement benefits are supported by a combination of bargained and non-bargained VEBA trusts and a 401(h) sub-account to the pension trust. The expected return on plan assets in the trust offsets cost components of the NPPC and/or NPBC. As assets increase due to Company contributions and investment performance, the expected return will also increase and will reduce pension and/or OPEB cost.

Assets of the trust are managed by professional investment managers. The trustee provides investment information to the actuary. Assets of the HEI Retirement Plan are commingled for all participating employers to maximize investment opportunities and minimize plan expenses. Assets and liabilities of each participating employer are separated for purposes of determining each participating employer's pension cost.

<u>4) Actuarial Assumptions</u>

While the plans pay benefits to retired participants that are in payment status today, there are also active employees that are earning additional benefits that will be paid in the future and former employees with vested benefits that will be paid in the future. Determining the Company's liability for these obligations and assigning a cost to the current year requires the projection of future benefit payments and the discounting of those future benefit payments back to the current date.

Actuarial assumptions are derived to model predictions related to how long participants are going to work, their future pay, the trajectory of their respective careers and how long they will live. Assumptions are also used to model expectations of increases in medical cost that are the basis of benefits in the OPEB plan.

Company's must select actuarial assumptions for the occurrence of future events that will affect the determination of the amount of benefits for the participants and their beneficiaries, when benefits will be paid in the future and the length of time benefits will be paid. Future events include demographic changes such as mortality, disability, employment termination, and anticipated retirement dates. Future events also include economic forecasts for a variety of factors including inflation, salary increases, expected returns on plan investments, and increases in the cost of medical benefits (medical trend). These assumptions are set by the Company in consultation with their actuaries and other advisors.

Assumption selection is restricted by the accounting standards board, the actuarial standards board and federal agencies that have detailed guidelines on the selection of actuarial assumptions. For Company accounting, U.S. Generally Accepted Accounting Principles ("U.S. GAAP") requires specific methods and assumptions that must be followed for company financial reporting of liabilities for the balance sheet and annual cost for the income statement under the standards of ASC 715.

The assumptions used are included in pages 21 through 33 of HELCO-1308, *Hawaiian Electric Industries, Inc. Review of Retirement and Post Retirement Benefit Plan Valuations* published July 13, 2016. Generally, demographic assumptions are based on the plan's historical experience. Most of the assumptions used for funding are also used for determining the NPPC with the following exceptions: 1) a discount rate based on the internal rate of return of a high quality bond portfolio as of the measurement date is used for the NPPC instead of the funding interest rate, and 2) the maximum benefit and pay limits are indexed for future inflation for the NPPC. The discount rate assumption is determined as required under ASC 715 as a proxy for investment grade corporate bonds yield rates and the rate selected is approved by the Company's independent auditor.

5) Asset Value Methodology

The asset valuation methodology is selected by the Company in conjunction with the actuary and approved by the Company's independent auditor. Under the method used by Hawai'i Electric Light, the difference between the actual market value of assets and the expected market value of assets as of the valuation date is recognized over a five-year period – 0% in the first year and 25% in each of the next four years. The market value of assets as of the valuation date is adjusted for unrecognized gains and losses from the prior four years to determine the market-related value of assets. The market-related value must be between 85% - 115% of the market value. As these gains and losses are reflected in the accumulated gain/loss, they are subject to recognition through the Amortization of Gain/(Loss) component of the NPPC.

Confidential Information Deleted
Pursuant To Protective Order No.______.

HECO-1308 contains confidential information and

will be provided after a Protective Order is issued in this proceeding.

Negotiations 2010

Overview of Negotiations

The Collective Bargaining Agreement ("CBA") between Hawaiian Electric Company, Inc. ("Hawaiian Electric" or "Company") and the International Brotherhood of Electrical Workers, Local Union 1260 ("Union") expired on October 31, 2010. Approximately 20 meetings supplemented by mailed proposals to negotiate the terms of a new labor contract with the Union were held over a period of approximately 6-1/2 months, starting in September 2010 and ending in March 2011 to complete negotiations on the new CBA.

After 11 face-to-face meetings between the Union and Company negotiating committees, on October 31, 2010, the Federal Mediation and Conciliation Service Mediator was asked to facilitate negotiations between Hawaiian Electric and the Union. Unfortunately, even with the assistance of the Federal Mediator, the parties were unable to reach a settlement and HECO provided the Union its initial Last, Best and Final Offer on November 8, 2011.

To give the parties further time to review the issues, the parties agreed to an extension until January 31, 2011, while continuing the Company's payment of the electric discount benefit to bargaining unit employees and retirees. Meanwhile, on January 18, 2011, the Union filed charges with the National Labor Relations Board against the Company, claiming Hawaiian Electric was "not bargaining in good faith."

On January 31, 2011, a tentative Agreement was signed, subject to ratification. On February 18, 2011, the Company was notified that the Union membership overwhelmingly rejected the Agreement and both parties returned to negotiate on February 22, 2011.

On the afternoon of Friday, March 4, 2011, at approximately 3:30 p.m., Union workers walked off the job, after heavy rain and wind in the early morning hours left thousands without power. The Governor requested that Hawaiian Electric and the Union immediately settle their differences for the public good. The Company and the Union resumed negotiations with the assistance of the Federal Mediator in a marathon settlement session on Sunday, March 6, 2011, and on Monday, March 7, 2011, a tentative Agreement was signed, subject to ratification.

Negotiations 2010

On Friday, March 11, 2011, Hawaiian Electric was notified that the Union membership ratified the Agreement, and workers who were able to return to work for evening shifts on March 11, 2011 would do so. The strike lasted one week. On March 16, 2011, the Union withdrew its unfair labor practice charge against the Company with the National Labor Relations Board.

Objectives and Key Issues

Hawaiian Electric's objective was to negotiate a fair and equitable contract, which would still allow it to attain the goals of:

- reducing cost and gaining operational efficiencies without compromising service reliability; and
- remaining a competitive employer by retaining and attracting critical workforce skills within the context of the current economic environment in Hawaii and the nation, as well as considering the impact on ratepayers.

The key areas of focus for Hawaiian Electric were wages and contract duration, medical benefits, and pension and post-retirement benefits.

The Union stated that its key objective was "no takeaways." Throughout the negotiations, the Union reiterated that it did not want any employee benefit to be reduced. The Union was unhappy with the discontinuation of the electricity discount benefit, following the removal of the Schedule E tariff that provided an electricity discount for employees and retirees. The issue went to arbitration and the Arbitrator granted the grievance, ordering bargaining unit members to continue to receive the benefits of the electric rate discount provided in the CBA, and directing both parties to negotiate the amount thereof. In the labor negotiations, the Union sought an unlimited electric discount benefit (without the 825 kilowatt hour cap) for bargaining unit employees and pensioners for their lifetimes. The Union also requested that no changes be made to any employee benefit, including pension, post-retirement medical benefits or increases to the employee medical contributions.

Negotiations 2010

Wages And Contract Duration

In the 2007 negotiations, the Union membership rejected a tentative settlement agreement that provided for annual 3.5% increases from 2007-2010. The Union and Hawaiian Electric eventually agreed to a 2007-2010 collective bargaining agreement that provided for 3.5%, 4% and 4.5% annual increases, effective November 1, 2007, January 1, 2009 and January 1, 2010, respectively.

Hawaiian Electric honored the terms of that CBA, while at the same time the management employees at Hawaiian Electric experienced a 2009 salary freeze.

In 2009, AON Hewitt completed total compensation studies on the Company's behalf that showed that, in general, while Hawaiian Electric's employee total compensation was at the median when compared to peers in other utilities and certain local companies, Hawaiian Electric employee benefits were above median, while wages and salaries were lower than median. The results also showed that Hawaiian Electric management employees' total compensation was lower than the median, while bargaining unit office and clerical employees' total compensation was higher than the median and bargaining unit trades and craft employees' total compensation was at median.

The Union entered the contract negotiations with a lengthy proposal that included seeking unspecified substantial wage increases and a term of contract of only one year.

The Company's goal in negotiations was to begin aligning wages with local and utility market rates, while remaining sensitive to the current economic environment and impact to ratepayers. The timing of the Asia-Pacific Economic Cooperation (APEC) conference to be hosted by Hawaii during the October – November 2011 timeframe was also a key driver to the Company's contract duration proposal. For the safety and security of the community during this sensitive event, Hawaiian Electric did not want to be in a one-year contract (expiring on October 31, 2011) because it would mean that the next negotiations would take place at the same time as APEC.

Hawaiian Electric considered various proposals, including:

- a two-tiered wage structure with separate wage increases for Office & Clerical and Trades & Crafts positions, in light of the AON Hewitt total compensation studies. A two-tiered wage proposal was meant to begin aligning union wages by broad job classes closer to average market wages.

- tying wage increases to achieving allowable Return on Equity.

The tentative agreement reached on January 31, 2011 that provided for more modest wage increases (1.5%, 1.75% and 2% increases, effective February 1, 2011, January 1, 2012 and January 1, 2013, respectively) was rejected by the Union membership and bargaining unit workers walked off the job on March 4, 2011. Another tentative agreement was reached on March 7, 2011 with increases across-the-board of 1.75%, 2.5% and 3%, effective January 1, 2011, January 1, 2012 and January 1, 2013, respectively. This agreement was ratified by the Union membership on March 11, 2011 and workers returned to the job.

Medical, Dental And Vision Benefits

Rising costs of medical premiums are absorbed by Hawaiian Electric until a new Benefit Agreement is negotiated with the Union. Hawaiian Electric's goal for this negotiation was to start the process of making reasonable changes to employee contributions and plan design in order to reduce cost to the Company while maintaining a competitive benefit package to attract and retain critical workforce skills. The Union's position was that no changes should be made to the employee medical contributions that had remained frozen from 2008-2011, per the 2007 contract negotiations.

After many discussions, some involving the Company's and Union's actuaries and the Company's benefits consultant, Hawaiian Electric and the Union negotiated an agreement with the following changes:

- Moving from fixed employee contributions over the period of the Benefit Agreement to a structure where contributions increase on January 1, 2012, January 1, 2013, and January 1, 2014. For 2011, regardless of the plan selected, employee contributions were fixed at a range of $7.50 per pay period (Single coverage) to $30.00 per pay period (Family coverage).

Negotiations 2010

- Moving from a fixed employee contribution for all plans to a structure where contributions are based on the plan selected. Employee contributions will be lower for the lowest cost base plan and higher for higher costing plans.

Employee Contribution per Pay Period		Single	Single Parent	Employee +1	Family
2011		$7.50	$15	$22.50	$30
2012	CM / Kaiser	$8.50	$17	$25.50	$34
	HPH	$30	$55	$75	$100
2013	CM / Kaiser	$9.50	$19	$28.50	$38
	HPH	$35	$65	$85	$105
2014	CM / Kaiser	$10.50	$21	$31.50	$42
	HPH	$40	$70	$90	$110

CM = HMSA CompMed
HPH = HMSA Health Plan Hawaii

Employee +1 = Employee and dependent

- Making various changes to plan design, including replacement of the costlier plan (HMSA Preferred Provider Plan) with a less costly plan (HMSA CompMed), modifying an employee's annual co-payment maximum and deductibles, and making changes to comply with changes in law.
- Negotiating a provision that if Hawaiian Electric receives an experience refund or surplus, such surplus will be credited to the plan's premium rate for the subsequent year.

Pension and Post-Retirement Benefits

The recent negotiations were heavily focused on exploring options to reduce pension expense to the Company while retaining critical skills. Agreement was reached in the following areas:

1. Pension

Hawaiian Electric's initial proposal was to raise the pension plan's early retirement eligibility criteria to retain employees with critical skills longer. Other alternatives were considered over the course of negotiations including: 1) grandfathering existing

Negotiations 2010

employees who had either a) attained a certain age and years of service or b) as of a certain date; 2) eliminating the cost-of living adjustment from the benefit calculation; 3) raising the early retirement age; 4) raising the full retirement age and 5) reducing the early retirement subsidy factor.

The initial tentative settlement agreement of January 31, 2011, between the Union and Hawaiian Electric provided for a grandfathering of active employees age 45 or older with changes to the early retirement subsidization for employees younger than age 45. It also provided for a higher eligibility age for post-retirement medical benefits. This agreement was rejected by Union membership.

The pension terms of the final agreement do not affect existing employees. However, effective May 1, 2011, new employees will receive a combination Defined Benefit and Defined Contribution plan.

a. The Defined Benefit plan utilizes a lower factor for each service year and eliminated the cost-of-living adjustment in calculating benefits. Eligibility for early retirement was raised from age 50 with 15 years of service to age 55 with 20 years of service with lower subsidy factors; and full retirement eligibility was raised from age 60 to age 62.
b. The Defined Contribution plan provides a 50% Company match of the employee's first 6% deferred compensation with partial vesting starting after 2 years of service, and full vesting at 6 years of service.

2. <u>Post-retirement health benefits</u>

Hawaiian Electric's objective was to raise the eligibility for post-retirement benefits in order to control cost and retain critical skills. The terms of the final agreement created a three-tiered structure, summarized as follows:

a. Employees hired prior to May 1, 2011 and who retire prior to December 31, 2011 will not be affected.
b. Employees hired prior to May 1, 2011 and who retire after December 31, 2011 must be age 50 and have attained 20 years of service.

Negotiations 2010

c. Employees hired after May 1, 2011 must be age 55 and have attained 20 years of service. Spouses and dependents of employees in this category will not be covered by the Company.

The change to post-retirement benefits eligibility was an important step to controlling cost for future years. Actual savings are dependent on employee benefit elections, individual retirement decisions, changing demographics and economic assumptions.

Electric Discount Benefit

Hawaiian Electric and the Union negotiated and reached resolution and settlement of claims for the electricity discount provided to bargaining unit employees and pensioners on April 12, 2011. Eligible bargaining unit employees and retirees received the value of the electric discount benefit until January 31, 2011, which was the expiration of the CBA.

The new CBA, effective January 1, 2011 and terminating on October 31, 2013 was distributed to bargaining unit employees on June 15, 2011 and has also been placed on the Company intranet.

The new Benefit Agreement, effective January 1, 2011 and terminating on October 31, 2014 will also be distributed to bargaining unit employees and made available on the Company intranet as soon as it is finalized.

TESTIMONY OF
MALCOLM TAJIRI

ON BEHALF OF
HAWAI`I ELECTRIC LIGHT COMPANY, INC.

Subject: Group Medical, Prescription Drug, Dental, Vision, Life and Long-Term Disability Insurance Employee Benefits

SUMMARY

Group Medical, Prescription Drug, Dental, Vision, Life and Long-Term Disability Insurance Employee Benefits

- Hawai`i Electric Light Company, Inc.'s ("Hawai`i Electric Light or "Company") Health and Welfare ("H&W") benefits is comprised of medical, drug, vision, dental, group life, accidental death & dismemberment and long-term disability. Hawai`i Electric Light's H&W benefits are designed to attract and retain qualified utility skilled employees necessary to provide safe and reliable electric power. To foster a culture of teamwork, engagement and commitment, the Company endeavors to treat both union and management employees the same when it comes to benefits.
- The Company uses a "Total Compensation" approach to compensation, which is made up of two primary components: cash compensation and employee benefits. The Company's objective is to offer a selection of benefits for employees to choose from to address each employee's specific situation and needs. Hawai`i Electric Light, Maui Electric, and Hawaiian Electric all offer the same benefits. By doing so, benefits are consistent between the three utilities, and Hawai`i Electric Light is able to leverage the most efficient pricing and administration by being part of a large group.
- The Collective Bargaining Agreement ("CBA") between the Company and the International Brotherhood of Electrical Workers ("IBEW" or "union") Local 1260 became effective

January 1, 2013[1]and expires on October 31, 2018. The provisions of the current CBA regarding H&W benefits became effective January 1, 2014.

- While the Companies negotiate benefits with the IBEW for union employees, the Companies must comply with the Hawai`i Prepaid Health Care Act for management employees.
- The current CBA did not include any changes to benefits, but did include a material change to employee cost sharing for medical, drug, vision and dental. Effective January 1, 2014, employees pay a percentage (16%) of the premium rate for single, single parent, single with spouse and family coverage. The percentage share increases for each of the five years (2014-2018) of the CBA. This ensures employees will also share in any future premium cost increases. The current CBA percentage share started at 16% for 2014 increasing by 1% every year to 20% in 2018. Changing from a fixed employee contribution for 2014 under the previous CBA-Benefits Agreement ("CBA-BA") to the new employee percentage cost share arrangement will ensure Hawai`i Electric Light and employees share proportionately in any future premium adjustments. This also aligns Hawai`i Electric Light's desire for employees to be more aware and become better health consumers.
- The employee cost share for 2015 increased to 17%, 2016 is 18%, 2017 will be 19% and in 2018, Hawai`i Electric Light employees will contribute 20% of the cost for medical, drug, dental and vision premium costs.
- The Hawai`i Prepaid Health Care Act sets the minimum standards for medical benefits and employee cost sharing. Status A plans provide a higher level of coverage with less out-of-

[1] Although the current CBA became effective July 1, 2013, the provisions in the current CBA affecting health & welfare benefits were effective January 1, 2014, effectively terminating the then- separate Benefits Agreement on December 31, 2013.

pocket costs to employees at higher premium cost. Status B plans provide a lower level of coverage with greater out-of-pocket costs to employees at lower premium cost.

- The Hawai`i Electric Light HMSA plans (CompMed and HPH ZN) are status B plans covering approximately 252 or 89% of Hawai`i Electric Light employees electing medical benefits. The Kaiser plan is a Status A plan which covers about 30 or 10.6% of Hawai`i Electric Light employees electing medical benefits.

- Two sources were used to benchmark Hawai`i Electric Light's H&W benefits: the 2015 Hawai`i Employers Council ("HEC") triennial survey (of 151 total company respondents), and the 2016-2017 Reference Guide for State of Hawai`i Employer Union Health Benefits Trust Fund ("EUTF"). Both documents will be referenced as exhibits in my testimony.
  - Comparative data from the EUTF shows Hawai`i Electric Light benefit plans can either be less favorable, comparable, or more favorable than the EUTF plans for medical and prescription drug. The EUTF offers chiropractic coverage packaged with medical and prescription drug coverage. The EUTF provides a supplemental prescription drug only plan for employees who waive medical coverage if they have medical coverage elsewhere. Overall, EUTF provides a broader, more robust spectrum of health plans for employees to choose from compared to Hawai`i Electric Light. Hawai`i Electric Light is comparable to EUTF for vision, and better for dental, life insurance and long term disability benefits. EUTF employees contribute more for medical, drug, vision, and dental.
  - Comparative data from the HEC Survey shows Hawai`i Electric Light benefit plans are comparable to other employers in Hawai`i; one exception is dental where Hawai'i

Electric Light offers higher benefits for prosthodontic services and no annual plan maximum. The HEC Survey also shows that Hawai`i Electric Light employees' contribution for medical, drug, vision, and dental is comparable.

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INTRODUCTION

Q. Please state your name and business address.

A. My name is Malcolm Tajiri and my business address is 700 Bishop Street, Suite 1400, Honolulu, Hawai`i 96813.

Q. Have you previously submitted testimony?

A. Yes. I submitted supplemental testimony HELCO ST-11A in Hawai`i Electric Light Company, Inc.'s ("Hawai`i Electric Light" or "Company") 2010 test year rate case, Docket No. 2009-0164, HECO ST-15C in Hawaiian Electric Company, Inc.'s ("Hawaiian Electric") 2011 test year rate case, Docket No. 2010-0080 and HECO T-19 in Attachment 4 of Hawaiian Electric's 2014 test year rate case, Docket No. 2013-0373 ("June 27, 2014 Hawaiian Electric abbreviated rate case filing").

Q. By whom are you employed and in what capacity?

A. I am employed by Servco Pacific Insurance ("SPI") and work in the Employee Benefits Consulting division of SPI as a Senior Vice President.

Q. What is your background and professional qualification?

A. I have worked exclusively in the area of employee benefits consulting since 1984. I worked in San Francisco, California, for the first six years, and returned to Hawai`i in 1990. My work experience and qualifications are presented in HELCO-1400. HELCO-1400 also includes a list of services SPI provides and a representative client list.[2]

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[2] SPI's representative client list included in Exhibit HELCO-1400 constitutes confidential proprietary trade secret information, which if disclosed publicly may competitively disadvantage SPI with respect to industry competitors. Accordingly, an unredacted version of the exhibit will be filed upon issuance of protective order in this proceeding.

Q. Please describe your relationship with and scope of services for Hawai`i Electric Light.

A. Since April 2010, Hawaiian Electric has engaged SPI as Hawaiian Electric's Health and Welfare employee benefits consultant. The scope of our services includes Hawaiian Electric, Maui Electric Company, Limited ("Maui Electric"), Hawai`i Electric Light (collectively, the "Hawaiian Electric Companies" or "Companies") and Hawaiian Electric Industries, Inc. ("HEI"). In this capacity, SPI negotiates contracts and rate renewals for health and welfare benefits plans, which are comprised of medical, prescription drug, vision, dental, group life, and long-term disability programs (hereafter referred to as "health & welfare benefits"). Our scope of services also includes managing the services of the insurance carriers for the health & welfare benefits insurance programs. Both union and management employees are covered under these programs. I am the lead consultant at SPI responsible for coordinating and delivering consulting services to the Hawaiian Electric Companies and HEI. I also worked with the Companies as their employee benefits consultant between 2003 and 2006 while employed by my previous employer.

Q. What are your areas of responsibility for this rate case?

A. I will briefly discuss the Collective Bargaining Agreement ("CBA")[3] and its impact on Hawai'i Electric Light's benefits, specifically the health & welfare benefits programs. I will discuss changes to the cost share arrangement between Hawai`i Electric Light and employees. I will also discuss the Prepaid Health Care Act ("PHCA") and how it

[3] *Agreement between Hawaiian Electric, Maui Electric, Hawai'i Electric Light and International Brotherhood of Electrical Workers Local 1260, AFL-CIO*, effective July 1, 2013 to October 31, 2018 ("Collective Bargaining Agreement" or "CBA"), Exhibit HELCO-1218. Changes affecting health and welfare benefits were effective January 1, 2014.

impacts the employee benefit plans offered by Hawai`i Electric Light. In addition, I will describe and compare Hawai`i Electric Light's medical, prescription drug, vision, dental and group life and long-term disability benefits and cost sharing with the plans offered by the State of Hawai`i Employer Union Trust Fund ("EUTF"). I will also compare benefits and plans offered by other employers as included in the Hawai`i Employers Council's most recent triennial *2015 Employee Benefit Plans in Hawai`i* survey ("HEC Survey" or "Survey"), HELCO-1401[4]

HEALTH & WELFARE BENEFITS IN THE COLLECTIVE BARGAINING AGREEMENT

Q. What are Hawai`i Electric Light's current health & welfare benefits?

A. Hawai`i Electric Light's health & welfare benefits, namely the HMSA CompMed (an 80/20 Preferred Provider Organization, or "PPO" plan), HMSA HPH ZN (a Health Maintenance Organization, or "HMO" plan) and Kaiser (HMO) medical, prescription drug, vision, dental, group life and long-term disability benefits, are the same as Hawaiian Electric's (HELCO-1418). They continue unchanged since 2013.

Q. What was the overall impact of the CBA on Hawai`i Electric Light's health & welfare benefits?

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[4] The information contained in HELCO-1401- HEC Survey is confidential proprietary trade secret information, which if disclosed publicly may competitively disadvantage SPI with respect to industry competitors. This information was not provided or disclosed to the general public. The information was gathered as part of a private survey, and the survey data and results are provided only to the participants. Accordingly, an unredacted version of the exhibit will be filed upon issuance of protective order in this proceeding.

A. While there were significant health & welfare benefits changes to the previous CBA-BA (2011 – 2014),[5] with the exception of a new cost share agreement, there were no major benefit changes between that previous CBA-BA and the health & welfare benefits section of the current CBA (2013 – 2018). The employee cost sharing arrangement, which initially resulted in greater employee contributions in 2014 (2014 was the transition year between the previous and the current CBA), will continue to increase annually as the employee cost sharing percentage increases, as provided in the current CBA.

Q. In terms of the health & welfare benefits, are management employees affected by the current CBA?

A. As discussed by Mr. Liuone Faagai in HELCO T-12, while the union employees' benefits are the result of collective bargaining, Hawai`i Electric Light considers its entire union and non-union workforce as one unified group of employees. This determines what necessary adjustments are needed to foster an engaged and committed workforce that works efficiently and effectively as a team to provide safe and reliable electric power. Comparable pay and benefits between union and management employees are key factors to achieving this goal. As such, benefits negotiated for union employees influence the benefits received by management employees.

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[5] For a discussion of the changes from the previous *Benefit Agreement by and between Hawaiian Electric Company, Inc., Hawai`i Electric Light Company, Inc., Maui Electric Company, Ltd. and Local 1260 of the International Brotherhood of Electrical Brotherhood of Electrical Workers, AFL-CIO, 2011 – 2014* ("Benefits Agreement") and the health & welfare benefits in the current 2013-2018 CBA, refer to HELCO T-12, Mr. Faagai's testimony in this filing.

<u>Health & Welfare Benefit Changes in the 2011-2014 Benefits Agreement</u>

Q. What health & welfare benefit changes were made in the previous CBA-BA (2011-2014)?

A. Significant changes were made relative to the previous CBA-BA (2011-2014) Benefits Agreement, which demonstrated the Hawaiian Electric Companies' commitment to managing health & welfare benefit costs. The current CBA encourages employees who want the richer medical plans to shoulder more of the cost, and in theory, limit use of the richer plans to those with higher utilization and are willing to pay more.

Q. What changes were made to the higher premium priced Hawaii Medical Service Association ("HMSA") Preferred Provider Plan?

A. Under the previous CBA-BA (2011-2014), the HMSA Preferred Provider Plan was no longer offered. The HMSA Preferred Provider Plan was replaced with the lower cost HMSA CompMed plan. Under the CompMed plan, annual deductibles must be met before benefits are applied for services such ambulance, medical equipment, inpatient mental health services, skilled nursing facilities, and home health care services received from participating providers. Previously, annual deductibles were applied only when these services were received through non-participating providers.

Q. What were the changes to the HMSA HPH ZN Plan offered under the previous CBA-BA (2011-2014)?

A. The changes to this plan in previous CBA-BA (2011-2014) are as follows:

- The copayment for laboratory and x-ray service increased to $20. Previously, there was no charge.

- Prior to the previous CBA-BA (2011-2014), hospital admission cost $100 per admission, with no charge thereafter. Under the previous CBA-BA (2011-2014), the hospital stay copayment was $75 per day.
- The maximum out-of-pocket limits increased under this plan from $1,750 per person / $5,250 per family to $2,500 per person / $7,500 per family per calendar year.

Q. What were the changes to the Kaiser Plan offered under the previous CBA-BA (2011-2014)?

A. The changes to the Kaiser Plan were as follows:

- Similar to the HMSA HPH ZN Plan, hospital admission cost changed from $100 per admission, with no charge thereafter to a co-payment of $75 per hospital day.
- Also similar to the HMSA HPH ZN Plan, the maximum out-of-pocket limits increased under from $1,750 per person / $5,250 per family to $2,500 per person / $7,500 per family per year.

Q. Were there changes to the drug, vision or dental plans?

A There were no changes and these plans were essentially the same as before.

- The HMSA Point of Service drug rider (171) was modified to provide pre-paid copayments of $12 for generic drugs, $24 for preferred brand drugs and 30% of eligible charge for non-preferred brand drugs. For drugs through mail order, the copayment is $24 for generic drugs and $48 for brand drugs. The Kaiser drug rider provides pre-paid co-payments of $14 for generic drugs and $28 for brand drugs through mail order.

- Under the 2011-2014 Benefits Agreement, vision benefits are under the VSP Enhanced Plan B with one frame allowance every 24 months and a frame allowance upgrade to $95 retail.
- The dental plan is provided by HDS (Hawaii Dental Service).

Q. What were the employee cost contributions for health & welfare benefits?

A. Under the previous CBA-BA (2011-2014), Hawai`i Electric Light (and Hawaiian Electric, Maui Electric and HEI) employees paid a flat dollar amount for medical, prescription drug, vision and dental benefits depending on the medical plan and coverage tier elected. The employee contribution was a fixed dollar amount for each plan, which increased on January 1, 2012, January 1, 2013 and January 1, 2014. The CBA was set to expire on October 31, 2013, but the separate CBA-BA would have expired a year later on October 31, 2014.

Q. When did the new cost share arrangement go into effect?

A. As described by Mr. Faagai in HELCO T-12, with the successful completion of union negotiations and member ratification, the current CBA was effective July 1, 2013. However, the provisions in the current CBA affecting health & welfare benefits became effective January 1, 2014, effectively terminating the previous CBA-BA Agreement on December 31, 2013.

Q. What is the employee cost share agreement in the current CBA?

A. Under the current CBA, employees pay a percentage of the health plan's premium rates, which started at 16% in 2014. This percentage increases 1% every year for the duration of the CBA with employees paying 20% in 2018, the fifth and last year of the five-year agreement. Therefore, for the 2016 test year, Hawai`i Electric Light employees will pay 18% of the cost (HELCO-1218).

Q. In the 2014 transition year from the previous CBA-BA (2011-2014) to the current CBA, what was the impact of the new employee contribution agreement?

A. The previous CBA-BA (2011-2014) required employees to pay a flat dollar amount for their health & welfare benefits. The flat dollar amount was higher for the most expensive medical plan, which was the HMSA HPH ZN Plan. The current CBA requires a percentage cost share beginning at 16% for 2014, increasing 1% a year, ending at 20% for 2018. In 2014, about 53% of Hawai`i Electric Light employees paid more for medical, prescription drug, vision and dental benefits under the current CBA (see HELCO-1402). For 2014, compared to the previous CBA-BA (2011-2014), employees paid \$14.70 to \$70.60 more per month depending on the plan and coverage tier elected. That represents an increase ranging from 66% to 158% depending on the plan and coverage tier elected.

The rest of the Company's employees paid between \$25.49 to \$56.89 less per month or an 18% to 45% reduction in their portion of premiums, depending on the coverage tier elected.

Q. What was the projected savings associated with the employee cost share for 2014 under the current CBA?

A. When comparing the fixed employee contribution amounts for 2014 from the previous CBA-BA (2011-2014) to the percentage employee cost sharing of the current CBA, the estimated savings were nominal at \$8,653 (see HELCO-1402).

While the savings were not significant, the percentage of premium rate approach ensures employees and Hawai`i Electric Light share proportionately in any cost increases in future years.

This approach also aligns with Hawai`i Electric Light's emphasis to encourage employees to be more aware and better consumers of health care services. This is a trend that is occurring across the country, referred to as "health care consumerism." Because utilization drives premium costs, employees need to understand and be responsible for sharing in the cost of utilizing healthcare services. Having employees pay a percentage of premium costs makes a direct connection between utilization and cost of premiums.

<u>OVERVIEW OF HAWAI`I STATE PREPAID HEALTH CARE ACT ("PHCA")</u>

Q. What is the PHCA?

A. The Hawai`i PHCA is a state law which requires Hawai`i employers to provide health care coverage for employees working 20 or more hours a week for four consecutive weeks. The PHCA also sets the minimum standards for health care coverage and limits the amount employees can be charged by their employer for health coverage. All private employers in the State of Hawaiʻi are required to comply with the PHCA; the Federal, State and County governments are exempt from the PHCA. Refer to HELCO-1403, which is the State of Hawai`i, Department of Labor and Industrial Relations, Disability Compensation Division's explanation of the PHCA.

Q. Does the PHCA regulate or dictate the level of medical benefits that employers must offer?

A. Yes, there are two types of state-approved PHCA medical plans, Status A or Status B plans.

Q. Is there a difference in the level of benefits between Status A and Status B medical plans?

A. Yes, Status A plans provide a higher level of coverage with less out-of-pocket costs than Status B plans.

Q. Is there a premium cost difference between Status A and Status B medical plans?

A. Yes. Because Status A plans provide an overall higher level of coverage with less out-of-pocket costs compared to Status B plans, premium costs for Status A plans are higher compared to Status B plans.

HELCO-1404 describes the benefits for PPO and HMO Status A plans. For Status B plans, the PHCA does not provide a detailed benefits description, but instead, the Hawai`i Administrative Rules, Section 12-12-6 states, in part, "any plan submitted under section 393-7(b), HRS, which provides aggregate benefits that are more limited, than those provided by plans qualifying under section 393-7(a), HRS, shall include certification that the employer has agreed to contribute at least one-half of the cost of the coverage of dependents of such plan." In my practice, employers by far offer Status A plans over Status B plans. Status A plans are also the prevalent plans in the State in terms of number of covered members.

Q. Are Hawai`i Electric Light's medical plans Status A or Status B plans?

A. Similar to Hawaiian Electric, the Hawai`i Electric Light HMSA medical plans (HMSA CompMed, HMSA HPH ZN (HMO)) are status B plans as qualified by the PHCA (see

HELCO-1405). The Hawai`i Electric Light Kaiser plan is a Status A plan.[6] Because Hawai`i Electric Light offers HMSA Status B plans, its premium rates are lower than if the Company offered Status A plans. While the State and County governments are not required to comply with the PHCA, they offer a range of medical plan choices with benefits that are similar to both Status A and Status B plans.

Q. How many Hawai`i Electric Light employees are covered by HMSA Status B plans (CompMed and HPH ZN) and how many are covered by the Kaiser Status A plan?

A. As of May 2016, Hawai`i Electric Light employees were covered under the following medical plans (HELCO-1406)

	Plan Type	# Employees Enrolled	% Employees Enrolled
HMSA CompMed	Status B	120	42%
HMSA HPH ZN	Status B	132	47%
Kaiser HMO	Status A	30	11%
Total		282	100%

A large majority (252 employees of 282 employees, or 89% of Hawai`i Electric Light's employees) are covered by the HMSA CompMed and HPH ZN Status B plans.

Q. Does the PHCA mandate benefits for prescription drugs, vision, dental, life and disability insurance?

A. No, the PHCA does not mandate benefits for prescription drugs, vision, dental, life and disability insurance. However, as further explained below, in order to be competitive in

[6] Status A plans do not require special qualifying filings with the State.

the labor market to attract and retain qualified and skilled employees, it is a prevalent and widely accepted practice for employers to offer these additional benefits. For example, it would be very unusual and short-sighted to have a medical plan without prescription drug coverage. Medication therapy is an integral part of comprehensive medical care. According to the HEC Survey, of 151 companies that participated in the 2015 survey, [redacted] offer prescription drug coverage as part of their medical plans (HELCO-1401, page 6).

While the PHCA also does not mandate an employer to offer vision, dental, life or long-term disability insurance benefits, according to the HEC Survey, [redacted] of employers offer a vision plan (HELCO-1401, page 7), [redacted] of employers offer a dental plan (HELCO-1401, page 15), [redacted] offer life insurance coverage (HELCO-1401, page 22) and [redacted] offer long-term disability coverage (HELCO-1401, page 28). The State and County governments also offer prescription drug, vision, dental, life, but no long-term disability insurance benefits.

Q. Does the PHCA limit the amount the Company can charge employees for medical coverage?

A. Yes. The PHCA limits the amount Hawai`i Electric Light can charge employees for single and family coverage. Employees cannot be charged more than 1.5% of gross monthly wage not to exceed 50% of the premium for single coverage. As previously stated, for Status B plans, the PHCA also limits the amount Hawai`i Electric Light can charge for dependent coverage to no more than 50% of the dependent premium costs.

Q. Are Hawai`i Electric Light's current employee contributions compliant with PHCA?

A. Yes, Hawai`i Electric Light's employee contributions are compliant with the PHCA and Status A and B contribution requirements. The employee contributions for the Company's union employees are negotiated with the union.

Q. Does the PHCA apply to union employees?

A. No, the PHCA does not apply to union employees. However, it is important to note that the PHCA also does not interfere or in any way infringe on the rights of employees to organize and collectively negotiate and bargain for pay and benefits. The PHCA does apply to Hawai`i Electric Light's management employees. As previously stated, Hawai`i Electric Light considers its entire workforce and seeks to treat all employees similarly to foster an engaged and committed workforce that works efficiently and effectively as a team to provide safe and reliable electricity. As discussed by Mr. Liuone Faagai in HELCO T-12, comparable pay and benefits between union and management employees are critical to achieving this goal.

OVERVIEW OF EMPLOYEE BENEFIT PLANS, PREMIUMS COSTS AND BENCHMARKING

Q. How does Hawai`i Electric Light health & welfare benefits and costs compare to other employers?

A. Comparisons from the latest HEC Survey and the State of Hawai`i EUTF were done in the Hawaiian Electric 2014 test year abbreviated rate case filing and are also provided below.

HEC Survey

Hawai`i Electric Light health and welfare benefit plans are comparable to other employers in the HEC Survey (HELCO-1401). It would be very difficult to make a benefits comparison line by line, but overall in aggregate, Hawai`i Electric Light plans are comparable and not out of line with those surveyed.

Hawai`i Electric Light offers the following benefits to employees in 2016:

- Medical: Status B HMSA PPO 80/20 (CompMed) HMSA HMO (HPH ZN) and Status A Kaiser HMO plans
- Prescription drug: HMSA and Kaiser prescription drug riders
- Vision: Vision Service Plan ("VSP")
- Dental: Hawai`i Dental Service ("HDS")
- Life Insurance: MetLife
- Long Term Disability: MetLife

Compared to responses compiled by the 2015 HEC survey (151 total company respondents, of which 14 company respondents have over 1,000 benefits-eligible employees), overall, Hawai`i Electric Light provides comparable benefits to other employers in Hawaii.[7]

Comparable: Hawai`i Electric Light is comparable in its offerings of medical, prescription drug, life insurance and long term disability benefits. For vision, although

[7] Hawai`i Electric Light's health & welfare benefits are the same as Hawaiian Electric's, Maui Electric's and HEI's. In the HEC Survey, all four companies are considered as one company in the over 1,000 benefits-eligible employees category.

the survey does not cite specific vision benefits, VSP's benefits are comparable to HMSA and Kaiser vision riders packaged with medical.

Better: For dental, Hawai`i Electric Light's benefits are comparable for basic and orthodontic services, but better with a higher level of coverage for prosthodontic services and an unlimited annual plan maximum.

EUTF

All references to EUTF are supported by HELCO-1407 for Active Employee Benefit Plans Effective July 1, 2016 through June 30, 2017.

Effective with the EUTF's plan year beginning July 1, 2016, the EUTF offers a total of six medical plans with prescription drug riders, and stand-alone vision and dental plans, and life insurance benefits. Benefits benchmarking varies, depending on the line of coverage.

Less favorable: EUTF offers four HMSA medical plans and two Kaiser HMO Plans. Of the four plans HMSA plans, Hawai`i Electric Light's HMSA CompMed plan is less favorable compared to the EUTF HMSA PPO 90/10 plan. Hawai`i Electric Light's HMSA HPH ZN plan is also less favorable compared to the EUTF HMSA HMO plan and the Kaiser Comprehensive HMO plan. The EUTF also provides additional benefits: chiropractic coverage packaged with all medical and prescription drug plans, and a supplemental plan for employees who waive medical coverage and have medical coverage elsewhere. The supplemental plan covers copayments and/or coinsurance amounts that are not covered by the employee's primary medical plan. Covered expenses include copays for prescription drugs so a separate drug plan is not offered with the supplemental plan.

Comparable: Hawai`i Electric Light's CompMed plan is comparable to the EUTF HMSA PPO 80/20 plan. HMSA's prescription drug plan with flat copayments is comparable to the EUTF CVS/Caremark prescription drug plan with tiered copayments, but copayments vary depending on the type of prescription drug dispensed (generic, preferred, other brand). Hawai'i Electric Light's VSP vision plan is comparable to the EUTF VSP vision plan.

Better: Hawai`i Electric Light's HMSA CompMed plan is better than the EUTF HMSA PPO 75/25 plan. Hawai`i Electric Light's Kaiser HMO plan is better than the Kaiser Standard HMO plan. Hawai`i Electric Light's Kaiser HMO prescription drug plan is better than the EUTF's Kaiser HMO prescription drug plan. Also, Hawai`i Electric Light's benefits for dental, life insurance and long term disability plans are better than EUTF. Hawai`i Electric Light's HDS plan is better than the EUTF plan because there is no annual plan maximum, no annual deductible and no waiting period for major services. Hawai`i Electric Light's life insurance plan is better, based on multiples of salary and supplemental employee-paid benefit options, while EUTF provides a flat life insurance benefit amount of $41,116 with no supplemental employee-paid benefit options. Hawai`i Electric Light provides long term disability insurance, while EUTF does not provide this benefit.

Overall, for medical and prescription drug benefits, we conclude EUTF provides a broader, more robust spectrum of plans for the employees to choose compared to Hawai`i Electric Light (see HELCO-1408).

<u>Benefits - HEC Survey</u>

Q. How does Hawai`i Electric Light's s medical and prescription drug benefits compare to other employers in Hawai`i?

A. According to the HEC Survey, of 151 companies surveyed, HMO plans [redacted] and PPO/Fee for Service plans [redacted] are the prevalent medical plans offered by employers in the State of Hawai‘i (HELCO-1401, page 1). As previously stated, Hawai`i Electric Light offers two Status B medical plans: HMSA CompMed (PPO), and HMSA HPH ZN (HMO) and one Status A plan: Kaiser (HMO). All three medical plans offer comparable prescription drug riders. Hawai`i Electric Light's plan offerings are comparable to what other employers in Hawai`i offer.

Q. How does Hawai`i Electric Light's vision and dental benefits compare to other employers in Hawai`i?

A. The HEC Survey confirms [redacted] of all employers surveyed and [redacted] of large employers surveyed with over 1,000 benefits-eligible employees ("large employer respondents") offer a vision plan; however, the Survey does not cite specific vision benefits with which to benchmark (HELCO-1401, page 7). HMSA and Kaiser generally package their vision riders with their medical plans.

Hawai`i Electric Light offers a VSP (Vision Service Plan) vision plan. The Hawai`i Electric Light VSP vision plan provides comprehensive benefits for eye exams, lenses and frames, contact lenses and discounts for higher-cost, elective materials. VSP also provides reimbursements for services and materials from out-of-network providers (HELCO-1418). By offering benefits for exams and materials, Hawai`i Electric Light's VSP vision plan is comparable to HMSA and Kaiser vision riders that are packaged with medical coverage.

The HEC Survey confirms [redacted] of all employers surveyed and [redacted] of large employers surveyed with over 1,000 benefits-eligible employees ("large employer respondents") offer a dental plan. Of 151 companies surveyed:

- [redacted] offer coverage between 71%-100% for basic benefits;
- [redacted] offer coverage of 50% for prosthodontics;
- [redacted] offer an annual plan maximum of less than $2,000; and
- [redacted] offer orthodontic coverage with varied maximums.

The Survey also shows that, of 11 large employer respondents surveyed:

- [redacted] offer coverage between 71%-100% for basic benefits;
- [redacted] offer coverage of 50% for prosthodontics;
- [redacted] offer an annual plan maximum of less than $2,000; and
- [redacted] offer orthodontic coverage. (HELCO-1401, pages 15-20).

Hawai`i Electric Light's HDS (Hawai`i Dental Service) dental plan provides 71%-100% coverage for basic benefits, 70% coverage for prosthodontics, an unlimited annual plan maximum and orthodontic coverage. Although comparable for basic and orthodontic services, Hawai`i Electric Light provides better benefits in terms of an unlimited annual plan maximum and higher level of coverage for prosthodontics than those in the survey (HELCO-1401,pages 15-20).

Q. How does Hawai`i Electric Light's life and disability insurance benefits compare to other employers in Hawai`i?

A. The level of life insurance benefits vary widely, depending upon the needs and objectives of each employer. According to the HEC Survey, of the 151 companies surveyed, [redacted] offer group life insurance; of the 14 large employer respondents surveyed, [redacted] provide life insurance (HELCO-1401); [redacted] large employer respondents reported a benefit of between one to two times the annual salary, with the majority offering two times the annual salary with a maximum of $500,000 or more (HELCO-1401, page 24). Hawai`i Electric Light's life insurance plan provides benefits based on multiples of salary (half, one and one-half or two times for management employees, half or one and one-half times for union employees), with voluntary supplemental employee-paid benefit options, for a combined maximum of $750,000. Hawai`i Electric Light's life insurance benefit is slightly better to what other large employers in Hawai`i offer (HELCO-1401, page 24).

In terms of long-term disability ("LTD"), according to the HEC Survey (HELCO-1401, page 28) of 151 companies surveyed, [redacted] provide LTD benefits. Of 14 large employer respondents surveyed, [redacted] provide LTD benefits.

- Percent of employers surveyed who provide LTD benefits after six months of disability:
    - [redacted] of 90 companies surveyed and responded

    - [redacted] of 11 large employers surveyed and responded
- Percent of employers surveyed whose plan pays a benefit percentage of 60% or more of salary:
    - [redacted] of 82 companies surveyed and responded
    - [redacted] of 11 large employers surveyed and responded
- Percent of employers surveyed with a disability maximum benefit amount of $10,000 or more:
    - [redacted] of 50 companies surveyed and responded
    - [redacted] of 7 large employers surveyed and responded

(HELCO-1401, page 29).

Hawai`i Electric Light's LTD plan for management employees pays benefits after six months of disability at 65% of an employee's regular wages, up to $15,000 maximum monthly benefit to age 65. LTD benefits for the union employees are the lesser of 60% of an employee's regular wages (straight time) or the wage rate for journeyman lineman. Hawai`i Electric Light's LTD plan is comparable to what other employers in Hawai`i offer

<u>Benefits Comparison – EUTF</u>

Q. How does Hawai`i Electric Light's medical and prescription drug benefits compare to the State and County EUTF?

A. Both employers offer HMSA PPO 80/20 plans, HMSA HMO plans, HMSA or CVS/Caremark prescription drug riders, and Kaiser HMO plans with Kaiser prescription drug riders. In addition, the EUTF offers an HMSA PPO 90/10 plan, an

HMSA PPO 75/25 plan, and a Kaiser Comprehensive HMO plan. The EUTF also offers chiropractic coverage, plus a supplemental plan via Royal State for employees who waive medical coverage if they have medical coverage elsewhere. The supplemental plan covers copayments/co-insurance amounts that are not covered by the primary medical plan. Covered expenses include copayments/co-insurance for prescription drugs, so no separate drug plan is offered with the supplemental plan. The EUTF offers a broader spectrum of options more responsive to each individual employee's specific needs (HELCO-1408). Some EUTF plans are comparable or slightly better than Status A type plans, while others are comparable to Status B type plans. From this perspective, EUTF offers a more robust spectrum of six different medical plans for employees to choose. Hawai`i Electric Light only offers three medical with prescription drug plan choices (HELCO-1409).

A brief comparison of the Hawai`i Electric Light HMSA CompMed plan and the EUTF HMSA PPO 90/10 plans below shows that the EUTF plan has better benefits in the following areas (HELCO-1409):

	Hawai`i Electric Light HMSA CompMed Plan	EUTF HMSA PPO 90/10 Plan
Annual Copayment Maximum	$3,000 per person/maximum $9,000 per family	$2,000 per person/maximum $4,000 per family
Hospital Inpatient, Surgical, Lab/Radiology, Mental Health, Ambulance, Medical Equipment, Skilled Nursing Facility	20% co-insurance	10% co-insurance
Skilled Nursing Facility	20% co-insurance	10% co-insurance
Physical Exams	Not covered	No copayment

A brief comparison of Hawai`i Electric Light's CompMed plan and the EUTF HMSA PPO 75/25 plan shows that the Hawai`i Electric Light plan has better benefits in the following areas:

	Hawai`i Electric Light HMSA CompMed Plan	EUTF HMSA PPO 90/10 Plan
Annual Deductible	$100 per person/maximum $300 per family	$300 per person/maximum $900 per family
Annual Copayment Maximum	$3,000 per person/maximum $9,000 per family	$5,000 per person/maximum $10,000 per family
Office Visits	$14 plus tax	25% co-insurance
Hospital, Lab, Mental Health, Home Health	20% co-insurance	25% co-insurance

A brief comparison of the Hawai`i Electric Light HMSA CompMed plan and the EUTF HMSA PPO 80/20 plan show benefit variances between both plans, where Hawai`i Electric Light can be favorable in some areas and less favorable in others. We conclude both plans, therefore, are comparable, as follows:

	Hawai`i Electric Light HMSA CompMed Plan	EUTF HMSA PPO 80/20 Plan
Annual Deductible	$100 per person/maximum $300 per family (participating and non-participating providers)	$250 per person/maximum $750 per family (non-participating providers only)
Physical Exams	Not covered	$0 co-insurance
Annual Copayment Maximum	$3,000 per person/$9,000 maximum per family	$2,500 per person/$5,000 maximum per family
Physician Hospital Visits	$20 copayment plus tax	20% co-insurance
Emergency Room	$100 copayment plus tax	20% co-insurance
Lab and Pathology	20% co-insurance inpatient/no copayment outpatient	20% co-insurance

A brief comparison of the Hawai`i Electric Light HMSA HPH ZN plan and the EUTF HMSA HMO plans below shows that the EUTF plan has better benefits in the following areas (HELCO-1409):

	Hawai`i Electric Light HMSA HPH ZN Plan	EUTF HMSA HMO Plan
Annual copayment max	$2,500 per person/ $7,500 per family	$1,500 per person/ $4,500 per family
Office visit	$20 copayment	$15 copayment
Hospital services	$75 copayment per day	No copayment
Diagnostic testing and Outpatient Lab services	$20 copayment	No copayment

A comparison of Hawai`i Electric Light's Kaiser plan and EUTF's Kaiser Standard HMO plan below shows that Hawai`i Electric Light's plan has better benefits in the following areas (HELCO-1409):

	Hawai`i Electric Light Kaiser HMO Plan	EUTF Kaiser Standard HMO Plan
Physician Hospital visits	No copayment	15% co-insurance
Hospital Services	$75 per admission	15% co-insurance
Outpatient Surgery	$20 copayment	15% co-insurance
Laboratory/Radiology	$20 copayment per dept.per day (outpatient), no copayment (inpatient	$10 copayment per dept. per day, 20% co-insurance for specialty procedures

However, EUTF offers a more robust second Kaiser HMO option via its Comprehensive Kaiser HMO Plan.

Hawai`i Electric Light does not provide chiropractic coverage, while the EUTF provides such coverage.

Hawai`i Electric Light's HMSA prescription drug plan generally has higher member copayments overall compared to EUTF's CVS/Caremark prescription drug plan for generic drugs, and when members purchase multiples of 30-day supplies at the retail level, but comparable for preferred brand name drugs. The calendar year out of pocket limit, however, is lower for Hawai`i Electric Light compared to the EUTF. Hawai`i Electric Light's Kaiser prescription drug plan has lower member copayments for generic-other (non-maintenance) drugs and preferred and other brand name drugs, compared to the EUTF's Kaiser prescription drug plan. A comparison is presented below (HELCO-1409).

The EUTF prescription drug plan copayments vary depending on a 30-, 60-, or 90-day supply purchased at the retail level.

	Hawai`i Electric Light (HMSA)	EUTF (CVS/Caremark)	Hawai`i Electric Light (Kaiser)	EUTF (Kaiser)
Calendar Year Out of Pocket Limit	$3,600 per person/maximum $4,200 per family	$4,350 per person/maximum $8,700 per family	Included with the medical out of pocket limit	Included with the medical out of pocket limit
	30-day supply	30/60/90 day supply	30-day supply	30/60/90 day supply
Generic	$12 copayment	$5/$10/$15 copayment	$14 copayment	$15/$30/$45 copay maintenance. $5/$10/$15 maintenance $15/$30/$45 copayment other"
Preferred Brand Name	$24 copayment	$25/$50/$75 copayment	$14 copayment	$50/$100/$150 copayment
Other Brand Name	$24 copayment (cost <$80); 30% co-insurance (cost > $80)	$50/$100/$150 copay	$14	$50/$100/$150 copay

* 2 levels of generic: (1) maintenance for chronic conditions; (2) non-maintenance for all other generics

Q. How does Hawai`i Electric Light's vision and dental benefits compare to the State and County EUTF's?

A. The Hawai`i Electric Light and EUTF vision plans are both underwritten by VSP. While there are some variations depending on the specific benefit, overall, the benefits are comparable. For example, Hawai`i Electric Light's VSP plan has a lower copayment for lenses and frames, while the EUTF's VSP plan has a higher reimbursement allowance for frames (HELCO-1409).

The Hawai`i Electric Light and EUTF dental plans are both underwritten by HDS. Hawai`i Electric Light offers only one dental plan compared to EUTF's two (Basic and Supplemental) dental plans. Overall, Hawai`i Electric Light's dental plan is better in terms of benefits with no annual plan maximum, no annual deductible, and no waiting period (HELCO-1409).

Q. How does Hawai`i Electric Light's life and disability insurance benefits compare to the State and County EUTF's?

A. Overall, Hawai`i Electric Light's life insurance plan is better than the EUTF's plan since Hawai`i Electric Light offers benefits based on multiples of salary (generally one-half or one and one-half times) with supplemental, voluntary employee-paid benefit options, for a combined maximum of $750,000. The EUTF plan, on the other hand, provides a flat benefit amount of $41,116, with no supplemental employee-paid benefit options specified (HELCO-1409). The EUTF does not provide LTD benefits. As a prevalent plan offering in the Hawai'i private employer market, Hawai`i Electric Light provides LTD benefits.

Q Can you explain what steps the Hawaiian Electric Companies have taken in recent years to manage/reduce overall costs in employee benefits?

A. Yes, as part of the Companies' due diligence, SPI was asked to perform a market study to evaluate the competitiveness of the existing Group Life, AD&D, Retiree Life and Supplemental Life policies with Cigna and Long Term Disability policy with MetLife. The study was performed mid 2014 for an effective date of January 1, 2015. This is a combined policy for Hawai`i Electric Light, Hawaiian Electric, Maui Electric and HEI.

The study produced an estimated annualized savings of $282,000, in aggregate, for the combined policy, due to efficiencies by consolidating all lines of coverage with MetLife. MetLife also matched the existing plan designs that were offered by Cigna, plus a few benefit enhancements. Rates were negotiated and guaranteed for four years. (HELCO-1410).

Q. What was the impact of cancelling HMSA's two-year agreement for the 2015/2016 Plan Years?

A. Initially, the Hawaiian Electric Companies negotiated with HMSA an original two-year agreement with specific fixed renewal percent increases for the 2015 and 2016 Plan Years. For 2015, HMSA proposed a 14.8% increase and for 2015, HMSA proposed a 13.2% increase for the active employees only. In late 2015, SPI performed a utilization analysis, which showed a significant improvement in incurred claims cost for the active population. Re-negotiations with HMSA led to cancelling the original 2015/2016 two-year agreement, which resulted in a more favorable 2016 renewal for the active employees, new two-year contract:

	Original Two-Year Contract		New Two-Year Contract	
Renewal Increases	Year 1 **2015**	Year 2 **2016**	Year 1 **2016**	Year 2 **2017**
Actives	**14.8%**	**9.0%**	**-1.8%**	**5.1%**
Early Retirees	6.1%	2.2%	2.2%	1.1%
Total	13.2%	7.8%	-1.1%	4.4%

Q. Was there an early termination fee to break the HMSA two-year agreement?

A. Yes, the two-year (2015 and 2016) HMSA agreement negotiated in 2014 included an early termination fee of $1,373,800. To take advantage of the improved utilization which produced a vastly improved 2016 renewal, the Companies determined that early termination with a replacement agreement would result in cost savings overall.

Quarterly installments of the early termination fee was negotiated, which are being paid in 2016.

Q. What was the overall savings to the Company by accepting the new two-year agreement?

A. By terminating the original 2015/2016 two-year agreement for the active employees and negotiating a new 2016/2017 two-year agreement, the savings in Year 1 (2016 of the new two-year agreement) was substantial and is presented in the following table. Acceptance of the new two-year agreement meant factoring in the cost of the early termination fee. The estimated annual savings to the Hawaiian Electric Companies for 2016 net of the early termination fee is $1,116,254 to the Hawaiian Electric Companies for 2016, using current employee enrollment in 2015. Hawaiian Electric kept the retirees on the original two-year contract (HELCO-1411).

	Original Two-Year Contract 2015-2016	New Two-Year Contract 2016-2017
Actives and Early Retirees combined Renewal Increases	Year 2	Year 1
Plan Year	2016	2016
Est. Annual Premium	$30,253,783	$27,763,729
Early Termination Fee		+$1,373,800
Total Est. Annual Premium	$30,253,783	$29,137,529
Est. Savings		$1,116,254

HMSA's agreement is combined for Hawai`i Electric Light, Hawaiian Electric, Hawaiian Electric Industries and Maui Electric. Utilizing Hawai`i Electric Light enrollment data to compare premium costs under the original and new plans, Hawai`i Electric Light's estimated savings is approximately $285,540 (HELCO-WP-1206).

<u>OVERVIEW OF PREMIUM COSTS AND HEALTH PLAN COST SHARING</u>

Q. How does Hawai`i Electric Light's premium rates for medical and prescription drug benefits compare to other large employers in Hawai`i?

A. Premium rates for larger employers (over 500 employees) are experience rated, which means claims utilization have greater influence on premium rates compared with smaller employer rates which are pooled or community-rated. While it is difficult to definitively compare Hawai`i Electric Light's premium rates for medical and prescription drug benefits, based on an informal review of 2016 rates for other large employers SPI works with, Hawai`i Electric Light's premium rates for medical and prescription drug benefits were found to be lower, but overall in aggregate, were found to be comparable (HELCO-1412).

According to the HEC survey, of 151 large employers, the average single medical premium was [redacted], the average 2-party premium was [redacted], and the average family premium was [redacted], all of which were higher than Hawai`i Electric Light's premium rates for medical (HELCO-1401).

Hawai`i Electric Light's HMSA medical plan premium rates are lower because, as previously established, Hawai`i Electric Light offers Status B (lower benefit, lower premium cost) plans compared to other employers in the State who predominantly offer Status A (higher benefit, higher premium cost) plans.

<u>Employer vs. Employee Cost Share Comparisons</u>

Q. How does the current CBA impact the amount Hawai`i Electric Light employees pay for health & welfare benefits in 2015?

A. Because the previous CBA – BA (2011-2014) expired at the end of 2014, flat contributions were estimated for 2015, 2016, 2017 and 2018 in order to facilitate a comparison (Exhibit HELCO-1402 - Employer vs. Employee Contributions). When comparing the estimated cost share in the previous CBA-BA for 2015 to the current CBA, overall employees will pay more. The overall impact to Hawai`i Electric Light cost for medical, prescription drug, vision and dental coverage for 2015, compared to what the cost share would have been from the previous CBA-BA (2011-2014) is estimated to be $86,232 lower (Exhibit HELCO-1402 – Employer vs. Employee Contributions). Employees' share increases 1% every year, starting with 17% for 2015, increasing to 18% for 2016, 19% for 2017 and 20% in 2018. Consequently, the dollar amount employees pay will also increase incrementally coincident with any premium rate increases over the five years.

Q. What assumptions were used to estimate the $81,232 savings for the 2015 plan year?

A. The estimated savings was calculated by extending and projecting what the employee contribution amount would be for 2015 from the previous CBA-BA (2011-2014) for Hawai`i Electric Light's medical, drug, vision and dental plans, compared to the 2015 17% of premium rates under the current CBA using 2015 premium rates (HELCO-1413). Enrollment was based on current May 2016 employee plan and coverage tier elections.

Q. How does the current CBA percentage of premium rate employee contribution formula compare to the previous CBA-BA (2011-2014)?

A. The most significant change is the current CBA percentage of premium rate ensures employees and Hawai`i Electric Light share proportionately in any cost increase in the future.

The chart below estimates the cost savings to Hawai`i Electric Light over the five-year period 2016 through 2018, when the percentage share will increase form 16% to 20% of premium rates.

Year	2014	2015	2016	2017	2018
Employee Share	16%	17%	18%	19%	20%
Hawai`i Electric Light Est. Annual Savings	$8,653	$81,232	$83,034	$109,079	$181,564

The flat dollar contribution amounts under the previous CBA-BA were estimated and extended beyond 2014 for years 2015,2016, 2017 and 2018 (Exhibit HELCO-1402 - Employer vs. Employee Contributions). Additionally, premium rates for the medical, drug, vision and dental plans were estimated for years 2017 and 2018 (HELCO-1414 and HELCO-1402).

Enrollment as of May 2016 was used for this calculation. The calculation worksheets are in Exhibit HELCO-1402.

Q. How much does Hawai`i Electric Light contribute for single medical, prescription drug, vision and dental benefits?

A. For the 2016 test year, Hawai`i Electric Light's cost share for single coverage ranges from 86.9% to 88.0% depending on the plan (HMSA CompMed, HMSA HPH ZN or Kaiser). The table below compares the 2014 Hawai`i Electric Light contribution for single coverage from the 2014 previous CBA-BA (2011-2014) agreement, to 2014, 2015, 2016, 2017 and 2018 under the current CBA (HELCO-1414).

	Previous CBA	Current CBA				
Single Cost Share	2014	2014	2015	2016	2017	2018
CompMed	94.1%	90.0%	88.6%	88.0%	87.2%	86.0%
Kaiser	94.7%	89.5%	88.1%	86.9%	85.8%	84.6%
HPH	80.6%	89.2%	87.9%	87.3%	86.4%	85.2%

Contribution Strategies Comparison – HEC Survey

Q. How does Hawai`i Electric Light's contribution for single medical and prescription drug coverage compare to other companies in Hawai`i?

A. The HEC Survey asked respondents of their contributions for single medical and prescription drug coverage separately. When asked about contributions for prescription drug coverage, [redacted] of all companies package prescription drug with medical; of large employer respondents (those with over 1,000 benefits-eligible employees), [redacted] package prescription drug with medical. Therefore, the following responses to this question are based on the survey question for single medical premium.

Of the 151 companies surveyed and responded in the HEC Survey, [redacted] of all employers surveyed pay 90% or more of the single medical and prescription drug premium cost, and of 14 large companies surveyed and responded, [redacted] of large employer respondents (those with over 1,000 benefits-eligible employees) indicate paying 90% or more for single medical and prescription drug coverage. Another [redacted] of large employer respondents pay between 50% - 79% (HELCO-1401 pages 2-6).

As previously stated, for the 2016 test year, Hawai`i Electric Light contributes between 87.9% to 88.6% towards single coverage depending on the plan elected (HMSA CompMed, HMSA HPH ZN or Kaiser). Hawai`i Electric Light's contribution towards single coverage is comparable compared to the HEC Survey information.

Q. How much does Hawai`i Electric Light contribute for family medical, prescription drug, vision and dental benefits?

A. For 2016, Hawai`i Electric Light's contribution for dependent was 82.0% for HMSA CompMed, HMSA HPH ZN or Kaiser and coverage tier as provided in the current CBA (HELCO-1217). For 2014, Hawai`i Electric Light's contribution for dependent coverage range from 81.1% to 91.1% (HELCO-1415).

Q. How does Hawai`i Electric Light's contribution for dependent medical and prescription drug coverage compare to other companies in Hawai`i?

A. The HEC Survey asked respondents of their contributions for single medical and prescription drug coverage separately. When asked about contributions for prescription drug coverage, [redacted] of all companies package prescription drug with medical; of large employer respondents (those with over 1,000 benefits-eligible employees), 85.7% package prescription drug with medical. Therefore, the following responses to this question are based on the survey question for dependent medical premium.

Of the 151 companies surveyed in the HEC survey, [redacted] of all employers pay 80% or more of the dependent medical premium cost. But of 14 large employer respondents surveyed, [redacted] of large employer respondents indicate paying 80% or more for dependent medical drug premium cost (HELCO-1401). Hawai`i Electric Light contributes more towards dependent coverage compared to the HEC Survey information.

Contribution Strategies Comparison - EUTF

Q. Are Hawai`i Electric Light's current employee contributions for medical and drug comparable to the State and County EUTF?

A. Hawai`i Electric Light employees have lower employee contributions for their benefit plans compared to State employees. As stated earlier, the State of Hawai`i and Hawai`i County as employers are exempt from the PHCA. Therefore, it is difficult to compare Hawai`i Electric Light's employee contributions for their benefit plans to the amounts paid by the employees of the State and County for their benefits.

Q. Are there other factors affecting the Hawai`i Electric Light's premium costs?

A. As part of the Affordable Care Act ("ACA"), most employers via their health insurers pay additional fees to fund various provisions of the ACA. Beginning January 1, 2014, as mandated by ACA, HMSA, Kaiser, HDS and VSP have included one or more of the following ACA fees. For 2016, Hawai`i Electric Light's rates will include the following ACA fees:

- $2.28 per member per year to fund the Patient Centered Outcome Research Institute ("PCORI"), an increase from $2.00 in 2014.
- $27.00 per member per year to fund the Transitional Reinsurance Program, a decrease from $63.00 in 2014.

- Health Insurer Tax, a fee assessed as a percentage of each health insurer's gross premiums to fund subsidies the Marketplace Exchanges will be offering to qualified individuals.

In total, the combined cost for Hawai`i Electric Light, Hawaiian Electric, Maui Electric and HEI costs attributed to these ACA fees are estimated to add an additional $1,230,130 (HELCO-1416).

Q. Are these additional ACA fees required by law?

A. Yes, these fees are mandated by the ACA. Hawai`i Electric Light has no control over these fees. They are merely a pass through from the carriers to the federal government and various federal agencies to fund different provisions of the ACA.

<u>Retiree Health & Welfare Benefits – Other Post Employment Benefits ("OPEB"):</u>

Q. Does the HEC Survey report on companies that offer retiree medical, prescription drug and vision coverage?

A. Yes, of 151 companies surveyed, [redacted] offer coverage upon retirement. Of 14 large employer respondents surveyed, [redacted] offer coverage upon retirement (HELCO-1401). Hawai`i Electric Light provides medical, prescription drug, and vision coverage to retirees, which is dependent upon years of service. This is discussed by Mr. Faagai in HELCO T-12 testimony.

Q. Does the HEC Survey report on companies that offer retiree dental coverage?

A. Yes, of 151 companies surveye[redacted] offer coverage upon retirement. Of 14 large employer respondents surveyed, [redacted] offer coverage upon retirement (HELCO-

1401, page 20). Hawai`i Electric Light provides dental coverage to retirees which is dependent upon years of service as defined in the CBA.

Q. Does the HEC Survey report on companies that offer retiree life insurance coverage?

A. Yes, of 151 companies surveyed, [redacted] offer coverage upon retirement. Of 14 large employer respondents surveyed, [redacted] offer coverage upon retirement (HELCO-1401, page 27). Hawai`i Electric Light provides life insurance coverage to retirees which is also dependent upon years of service as defined in the CBA.

Q. Does Hawai`i Electric Light offer retiree medical benefits?

A. Like many established unionized companies, Hawai`i Electric Light offers retiree benefits. Hawai`i Electric Light offers the same plans as active employees to under age 65 retirees. Over age 65, Medicare-eligible retirees are offered a choice between HMSA's standard Akamai Advantage Prime plans or Kaiser's Senior Advantage plan. These Medicare plans and rates are federally approved by the Center for Medicaid and Medicare Services ("CMS"). The three plans are also the prevalent plans marketed and selected by eligible retirees over age 65 in the State. Retiree medical plans for union employees are negotiated with the union and included the CBA.

Q. What are the eligibility requirements for Hawai`i Electric Light retiree benefits?

A. Eligibility for retiree benefits and cost share vary widely and are defined based on hire date, age and accrued years of service at date of retirement. A summary of eligibility requirements for retiree health and life insurance benefits is provided in HELCO-1419. My testimony will focus on retirees who are hired on or after May 1, 2011, attained at least age 55 and accrued at least 20 years of service at date of retirement.

Q. What retiree medical plans does Hawai`i Electric Light offer?

A. For retirees under age 65, their options are the same benefit choices for the active employees – HMSA CompMed, HMSA HPH ZN, Kaiser HMO, prescription drug, VSP vision and HDS dental. When retirees reach age 65, they are offered a choice between three Medicare Advantage plans – HMSA's Akamai Advantage Prime plans or Kaiser's Senior Advantage plans and Medicare Part D (prescription drug) plans. These plans, federally approved by the Center for Medicaid and Medicare Services ("CMS"), are also the most prevalent plans marketed and selected by eligible over age 65 individuals in the State. Retirees over 65 are not eligible for vision and dental coverage.

Q. How does Hawai`i Electric Light's retiree medical, drug, vision and dental benefits compare with the HEC Survey and EUTF?

A. The HEC Survey does not include retiree benefit details in order to establish a benchmark. The EUTF offers the same level of benefits to all retirees under and over age 65. The benefit plan options include two medical plans similar to options provided to EUTF active employees – HMSA PPO 90/10 Plan and Kaiser HMO, HMSA and Kaiser prescription drug plans, HDS dental and VSP vision (HELCO-1417). When retirees turn age 65, the prescription drug plan changes to the EUTF Medicare Part D prescription drug plan, which is better in benefits than the standard CMS approved Medicare Part D plan (HELCO-1417). Overall, Hawai`i Electric Light's retiree plans are less favorable compared to the EUTF retiree plans for the following reasons:

- EUTF retirees continue their benefits for medical, prescription drug, vision and dental through age 65. Hawai`i Electric Light retirees transition to a Medicare Advantage medical plan and Hawai`i Electric Light drug plan when they turn age 65.
- At age 65, Hawai`i Electric Light retirees do not have coverage for vision and dental benefits, whereas EUTF continues these benefits.

Q. How much does Hawai`i Electric Light's retiree life insurance plan compare with the HEC Survey and EUTF?

A. The HEC Survey does not include benefit details in order to establish a benchmark. The EUTF, however, provides retiree a life insurance benefit of $2,235. Hawai`i Electric Light provides retiree life insurance with a benefit amount of $20,000. Hawai`i Electric Light provides a better life insurance benefit compared to the EUTF (HELCO-1417).

SUMMARY

Q. Please summarize your testimony.

A. The cost sharing agreement in the current CBA is a significant change in terms of employees sharing in the premium costs for health & welfare benefits. Under the previous cost share agreement, employees paid a flat dollar amount regardless of the premium costs and therefore were shielded from premium cost increases. Going forward, under the current CBA, Hawai`i Electric Light's and employees' share is based on a percentage split of the premium costs. This approach ensures Hawai`i

Electric Light and employees share in future premium cost increases proportionate to the percentage split.

All three Hawai`i Electric Light medical plans provide comprehensive medical coverage and are compliant with the State of Hawai`i PHCA. However, of the approved medical plans in Hawai`i (Status A vs. Status B), Hawai`i Electric Light's status B HMSA medical plans are less favorable compared to HMSA's prevalent plans, which are Status A plans. The PHCA designates the plans as prevalent based on the total number of covered members. The HMSA PPP (90/10) plan is designated as the prevalent PPO plan and Kaiser's HMO plan as the prevalent HMO plan. Both of these prevalent plans receive a Status A designation from the State. Hawai`i Electric Light's HMSA PPO (CompMed) and HMSA HMO (HPH ZN) medical plans which together covers 89% or 252 employees are designated as Status B plans by the State. This is relevant because Status A plans provide a higher level of coverage with less out-of-pocket costs at- higher premium cost. Status B plans provide a lower level of benefits with higher out-of-pocket costs at a lower premium cost. Hawai`i Electric Light's Kaiser medical plan which covers 41% or 132 employees is designated as a Status A plan.

Hawai`i Electric Light health & welfare benefit plans are comparable to what is included in the HEC Survey and the State EUTF. There are a few benefits where Hawai`i Electric Light plans are slightly more favorable or slightly less favorable, but overall in aggregate, Hawai'i Electric Light plans are comparable and not out of line. Overall, the EUTF provides a broader more robust spectrum of plans for employees to choose from compared to Hawai`i Electric Light. As previously mentioned, the cost sharing agreement in the current CBA is a major step to increase the amount employees pay for health & welfare benefits. More importantly, the new percentage-based cost share agreement also ensures that employees share in future premium cost increases.

While in aggregate employees are paying more under the current CBA, Hawai`i Electric Light offers comparable and competitive benefits at very reasonable employee cost share levels. Employees demand a certain level of benefits with a reasonable employee cost share. Hawai`i Electric Light's health & welfare plans provide a balanced and competitive package of benefits, which allows the Company to compete in the labor market to attract and retain qualified, motivated and engaged employees required to produce safe and reliable electricity.

As discussed by Mr. Faagai in HELCO T-12, while many employers do not provide retiree benefits, certain industries have and continue to provide them. Utilities, Federal, State and County governments along with unionized industries continue to provide retiree benefits. Like many employers with retiree benefits, Hawai`i Electric Light has made changes to its retiree benefits over the years to address increasing costs. Overall, Hawai`i Electric Light's health & welfare benefits and costs are reasonable and not out of line. This is largely due to the fact that Hawai'i Electric Light's two medical plans that cover 89% of employees, the single largest benefits expense, are Status B plans with lower coverage and greater employee out-of-pocket costs which result in lower premium cost.

Finally, because Hawai`i Electric Light considers all its benefits and pay as part of its total compensation approach, benefits and compensation should be viewed as part of an overall total compensation package, as discussed by Mr. Faagai in HELCO T-12.

General Summary of Services

May 13, 2016

SERVCO PACIFIC INSURANCE | EMPLOYEE BENEFITS CONSULTING

700 Bishop Street | Topa Financial Center | Suite 1400 | Honolulu, Hawai'i 96813

Introduction

From our humble beginnings operating a two-car garage in 1919, Servco Pacific Inc. today commands a global presence, comprised of 18 car dealerships, including eleven in Australia, tire sales subsidiaries, appliance distribution and sales, insurance, home and consumer products, and a private equity firm. In 2012, Servco Pacific Inc., along with its private equity partner, became majority shareholders of Fender Musical Instruments Corp.

Servco Pacific Inc. was rated by its workforce as one of Hawai'i's most desired employers. In 2015, Servco Pacific Inc. was named one of the Top 25 "Best Places two Work in Hawai'i" by Hawai'i Business Magazine for its eleventh consecutive year, placing Servco in the Hall of Fame.
Servco Pacific Insurance is one of the core businesses of Servco Pacific Inc. Servco Pacific Insurance has operated a successful Property and Casualty insurance agency in Hawai'i since 1971. In 2006, Servco Employee Benefits Consulting (SEBC) was added as a new division to complement the services offered to its business clients.

Initially established by Russ Robertson and Malcolm Tajiri, SEBC's Consultants work closely with a team of professional and technical staff to deliver innovative and progressive client solutions. Our Account Managers support the Consultants in all aspects of client service management and ongoing maintenance of employee benefit programs. We define the success of our practice by the impressive list of prominent and established clientele, each with unique and, in some cases, complex employee benefit needs and issues.

SEBC focuses on a consultative approach towards employer-sponsored benefit plans. SEBC's professional staff has over 75 years of combined experience in the field of employee benefits, and represents a highly experienced and innovative team in Hawai'i.

In 2010, Servco Pacific Insurance expanded by establishing a presence in the Pacific Northwest - Seattle, Tacoma, Washington and Newport, Oregon. The Seattle office specializes in aviation, fishing, shipping and cargo industries in several states; clientele include prominent suppliers of crab, salmon and cod distributed in major retail and restaurant establishments. They have recently added an Employee Benefits division to further enhance the array of services for their clients. With a growing team of industry leaders and great clients, Servco Pacific Insurance is positioned for continued success in the Pacific Northwest and beyond.

Servco Pacific Insurance is part of the Worldwide Broker Network (WBN), an extension of our service proposition – when business opportunities arise in geographic locations where we are not licensed, Servco Pacific Insurance utilizes the WBN, a trusted network of benefits brokers and consultants we engage to provide services in those regions on our behalf.

Our Value Proposition to our Client

As a Hawai'i-based company, Servco Pacific Inc. understands Hawai'i's unique business environment. Through Servco Pacific Insurance, our commitment is to provide clients with vital resources and services that are critical for establishing and maintaining a comprehensive, competitive, and cost-effective employee benefits program.

Our value proposition to our Client includes the following:

<u>Dedication and commitment to excellent customer service</u>. Clients deserve service above and beyond the traditional placement of insurance that is unmatched by other employee benefits advisors.

<u>Serve as a strategic partner</u>. We will work with each client's unique needs and strategically customize our approach to present appropriate solutions.

<u>Complete objectivity and independence in the insurance market</u>. We don't represent or promote any specific insurance carrier; we represent our Client to the insurance marketplace, a very important distinction.

<u>Link to industry trends, product developments, and regulatory information</u>. We keep abreast of changes and new trends in the employee benefits industry.

We understand the competitive environment for recruiting and recognize the importance of retaining quality talent is crucial to our Client's continued success. Along with Servco Pacific Inc.'s commitment to invest in resources to support its growing benefits practice, Servco Pacific Insurance is dedicated and well-positioned to support your organization's diverse and unique employee benefit needs.

We commonly assist clients with the following Employee Benefit plans:

- Medical, Prescription Drug
- Vision
- Dental
- Long Term Disability Insurance
- Life Insurance
- Retiree Medical – Medicare Advantage Plans and Medicare Supplement Plans
- Temporary Disability Insurance (TDI)
- Sec. 125/Flex Spending Plans, Sec. 132/Parking and Transit
- Voluntary, Worksite Products
- Long Term Care Insurance
- Executive Benefits

General Scope of Services

1. Serve as a strategic partner to our Client. This involves strategic planning to review current performance of all our Client's benefits and carrier vendors then establish future goals and objectives. This also means providing technical and administrative oversight for functions relating to carrier/vendor management throughout the year to ensure the plans are performing optimally: troubleshoot and resolve issues relating to claims, eligibility, and premium administration.

2. Assist our Client with strategies to strengthen the relationship between benefits and employee wellness, whether by or likely a combination of plan design, incentives/penalties, employee communications, and building stronger partnerships with carriers and providers.

3. Review and analyze our Client's benefit plans to determine cost drivers and to identify opportunities to reduce and manage the costs of employee benefits; provide cost projections, funding analysis and other cost information, as requested.

4. Initiate and lead the renewal process with the carriers. Negotiate and present annual renewals and options on a timely basis to support our Client's renewal decision timeline and open enrollment schedule.

5. Keep our Client abreast of a) trends in the employee benefits marketplace, b) Employee Benefit laws and State and Federal regulations (i.e. Health Care Reform, Medicare and Retiree Medical Plans, Health Savings Accounts, Affordable Care Act - Cadillac Tax) that may impact our Client's programs.

General Scope of Services, continued

6. As appropriate and directed by our Client, perform market studies to ensure competitiveness of plans in terms of cost, benefits and administration (i.e. medical, dental, vision, TDI, life, disability, FSA, etc.).

7. Review and monitor our Client's current carriers' financial information; act as the liaison between our Client and our Client's carriers by confirming coverage, ensuring carriers promptly issue policies and contracts, review to ensure accuracy and meets our Client's requirements.

8. Coordinate carrier support for open enrollment; participate in open enrollment activities, as appropriate.

9. Review employee benefit summaries, carrier contracts, and other documentation, as appropriate.

10. Support 5500 Annual Report Filing by coordinating receipt of Schedule A information from carriers for all ERISA plans, as appropriate.

General Out-of-Scope Services

Compensation for special projects and services will be negotiated at the time additional needs are identified.

Examples of special projects and services include (but are not limited to):

- Compensation Consulting
- Benefit Plan Compliance (Legal)
    - ◊ Plan Documents and Summary Plan Descriptions (SPD)
    - ◊ Summary Annual Reports (SAR)
    - ◊ Summary Material Modifications (SMM)
    - ◊ Wrap Documents that streamline 5500 filings
    - ◊ Technical issues related to FMLA, HIPAA, etc.
- Employee Benefit Communications
- Retirement Plan Consulting
- Actual participation in union contract negotiations, beyond coordinating rate proposals and benefit summaries to support the negotiations.

Servco Employee Benefits Consulting strives to provide the highest level of client service. Our clients are encouraged to consider us their first Point of Contact for all aspects relating to employee benefits. It is our intent to establish ourselves and serve our clients as an extension of their HR/Benefits department.

MALCOLM TAJIRI
SENIOR VICE PRESIDENT

Service Responsibilities & Expertise

Assist clients in all aspects from strategic consultative design, carrier selection, claims resolution, eligibility and premium administration, and general overall maintenance of employee benefits programs.

Expertise: Plan design, alternate funding, self-insurance analysis, utilization reporting and analysis, health and wellness promotion, new plan implementation, and general benefits for large employers.

Resume of Experience

2006 - Present:	Servco Pacific Insurance *Senior Vice President*
1992 - 2006:	Aon Consulting/Alexander & Alexander *Vice President*
1990 - 1992:	Johnson & Higgins *Assistant Vice President*
1986 - 1989:	Mercer Employee Benefits Consulting *Technical Associate*

Education

Menlo College – School of Business Administration

Bachelor of Science, Business Administration

Affiliations

National Association of Health Underwriters

Hawai'i Chapter Member

Account Executive *(notable clients)*

- ◊ American Savings Bank
- ◊ Central Pacific Bank
- ◊ Hawai'i National Bank
- ◊ Hawaiian Telcom
- ◊ Hawaiian Electric Company
- ◊ Punahou School
- ◊ 7-Eleven Hawai'i, Inc.
- ◊ Servco Pacific Inc.

Servco Employee Benefits Consulting

LORRAINE NAKASONE

VICE PRESIDENT

Service Responsibilities & Expertise

Assist clients in all aspects from strategic consultative design, carrier selection, claims resolution, eligibility and premium administration, and general overall maintenance of employee benefits programs.

Expertise: Plan design, alternate funding, utilization reporting and analysis, new plan implementation, and general benefits for mid-sized and large employers.

Resume of Experience

2009 - Present: Servco Pacific Insurance
Vice President

1999 - 2009: Aon Consulting
Assistant Vice President

Prior to 1999: Kapi`olani Health Hawai'i – *Senior Account Manager*
Pacific Rehabilitation & Sports Medicine – *Marketing Director*
Hawai'i Medical Service Association – *Corporate Educator*

Education

University of Hawai'i Manoa
Bachelor of Business Administration – Marketing

Affiliations

National Association of Health Underwriters
Hawai'i Chapter member

Society of Human Resource Management
Hawai'i Chapter member

Account Executive *(notable clients)*

◊ Alsco/American Linen
◊ Goodsill Anderson Quinn & Stifel
◊ Territorial Savings Bank
◊ Waianae Coast Comprehensive Health Center
◊ Young Brothers

MARY-JEAN SHIROMA
BENEFITS CONSULTANT

Service Responsibilities & Expertise

Assist clients in all aspects from strategic consultative design, carrier selection, claims resolution, eligibility and premium administration, and general overall maintenance of employee benefits programs.

Expertise: Plan design, alternate funding, utilization reporting and analysis, new plan implementation, and general benefits for mid-sized and large employers.

Resume of Experience

2014 - Present:	Servco Pacific Insurance *Benefits Consultant*
2012 - 2013:	Hawai'i Medical Service Association *Account Relationship Consultant*
Prior to 2012:	USAble Life/Benefit Services of Hawai'i – *Manager, Key Accounts* Healthways Hawai'i – *Senior Worksite Wellness Consultant* Integrated Services, Inc. (subsidiary of HMSA) – *Manager, HealthPass at the Worksite*

Education

San Francisco State University
Speech and Communications

Affiliations

National Association of Health Underwriters
Hawai'i Chapter member

Society for Human Resource Management
Hawai'i Chapter member

Account Executive *(notable clients)*

- Aloha Pacific Federal Credit Union
- Assests School
- Hawai'i Pacific University
- Island Air
- Rehabilitation Hospital of the Pacific

MARISA MAMIZUKA
ACCOUNT MANAGER

Service Responsibilities & Expertise

Support consultants in all aspects of client service management and on-going maintenance of employee benefits program.

Expertise: Comprehensive market study analysis, new plan implementation, and general benefits for small to mid-sized employers.

Resume of Experience

2010 - Present:	Servco Pacific Insurance *Account Manager*
2001 - 2010:	Aon Consulting *Account Specialist*
1996 - 2001:	Central Pacific Bank *Human Resources Specialist*

Education

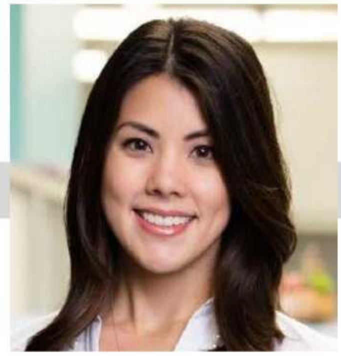
University of Hawai'i, Hilo
Bachelor of Science, Speech

Account Manager *(notable clients)*

- Honolulu Baking Company
- Midas Auto Service
- Pacific Marine and Supply Co.
- Royal Aloha Vacation Club

HAYLEE FAUSTIN

ACCOUNT MANAGER



Service Responsibilities & Expertise

Support consultants in all aspects of client service management and on-going maintenance of employee benefits program.

Expertise: Comprehensive market study analysis, new plan implementation, and general benefits for small to mid-sized employers.

Resume of Experience

2014 - Present:	Servco Pacific Insurance *Account Manager*
2012 - 2014:	Servco Pacific Insurance *Account Service Representative*
2011 - 2012:	CB Richard Ellis *Marketing Specialist*
2007 - 2011:	Benefits By Design *Senior Consultant & Account Executive*

Education

Chaminade University of Honolulu
Bachelor of Science, Pre-Law

Affiliations

National Association of Health Underwriters
Hawai'i Chapter, Director

International Foundation of Employee Benefit Plans
Member

Account Manager *(notable clients)*

- GM Construction, Inc.
- Life Care Center, Hilo; Hale Anuenue; Life Care Center, Kona; Ka Punawai Ola
- Maui Ocean Center
- USS Missouri Memorial Association

EVAN PATEK
ACCOUNT MANAGER

Service Responsibilities & Expertise

Support consultants in all aspects of client service management and on-going maintenance of employee benefits program.

Expertise: Comprehensive market study analysis, new plan implementation, and general benefits for small to mid-sized employers.

Resume of Experience

2015 - Present: Servco Pacific Insurance
Account Manager

2014 - 2015: UHA
Broker Account Representative

2013 - 2014: HMSA
Account Relationship Consultant

2012 - 2013: HMSA
Health Plan Advisor

2012 - 2013: HMSA
FEB Operations Coordinator

Education

University of Hawai'i, Manoa
Bachelor of Science, Economics

Account Manager *(notable clients)*

- ◊ CHART Rehabilitation of Hawai'i
- ◊ Marisco
- ◊ Queen Liliuokalani Children's Center
- ◊ Royal State Financial Corporation (DRTIC)

Partial Client Listing

- [redacted]
- [redacted]
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Compensation

In any engagement to ensure a successful partnership, it is critical the agreed-upon compensation be fair and reasonable in exchange for the Scope of Services we commit to provide Client. **All commissions and service fees are disclosed and are fully accountable upon request.**

We offer the following compensation arrangements, as agreed upon between Servco and our Client:

Fee

A set fee amount in exchange for services provided. Servco will invoice our Client for the agreed-upon amount and frequency.

Commissions

Commissions paid directly from the carrier(s), based on an agreed-upon commission percentage or dollar amount. Commissions may be based on premiums paid or number of participants, depending on the line of coverage and carrier.

Fee offset by Commissions

A set fee amount in exchange for services provided. Servco will invoice our Client for the agreed-upon amount and frequency net of commissions received directly from the carrier(s).

Combination Fee and Commissions

A set fee amount in exchange for services provided. Servco will invoice our Client for the agreed-upon fee amount and frequency, which will be in addition to commissions paid directly from the carrier(s).

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SERVCO PACIFIC INSURANCE | EMPLOYEE BENEFITS CONSULTING

HELCO-1401 contains confidential information and

will be provided after a Protective Order is issued in this proceeding.

CALCULATION OF HAWAI`I ELECTRIC LIGHT EMPLOYER vs. EMPLOYEE CONTRIBUTIONS PREVIOUS CBA-BA vs CURRENT CBA

Proj. Total Premium (HAWAI`I ELECTRIC LIGHT vs. Employee) Cost - 2014 PY PREVIOUS CBA-BA Fixed $ Cost Share - 2014	May 2016 Subs	Monthly Premium Rates	Annual Total	Employee Monthly Contributions	Employee Annual Contributions	HECO Annual Contributions
CompMED, Drug,Vis,Dent						
Employee	*25*	$ 358.22	$ 107,466	$ 21.00	$ 6,300	$ 101,166
Employee + Child(ren)	*12*	$ 743.48	$ 107,061	$ 42.00	$ 6,048	$ 101,013
Employee + Spouse	*17*	$ 847.51	$ 172,892	$ 63.00	$ 12,852	$ 160,040
Family	*66*	$ 1,004.31	$ 795,414	$ 84.00	$ 66,528	$ 728,886
Totals	**120**		$ 1,182,833		$ 91,728	$ 1,091,105
% of Annual Premium					**7.8%**	**92.2%**
Kaiser, Drug,Vis,Dent						
Employee	*5*	$ 392.87	$ 23,572	$ 21.00	$ 1,260	$ 22,312
Employee + Child(ren)	*4*	$ 812.78	$ 39,013	$ 42.00	$ 2,016	$ 36,997
Employee + Spouse	*7*	$ 930.66	$ 78,175	$ 63.00	$ 5,292	$ 72,883
Family	*14*	$ 1,101.31	$ 185,020	$ 84.00	$ 14,112	$ 170,908
Totals	**30**		$ 325,781		$ 22,680	$ 303,101
% of Annual Premium					**7.0%**	**93.0%**
HPH, Drug,Vis,Dent						
Employee	*19*	$ 411.86	$ 93,904	$ 80.00	$ 18,240	$ 75,664
Employee + Child(ren)	*9*	$ 850.76	$ 91,882	$ 140.00	$ 15,120	$ 76,762
Employee + Spouse	*18*	$ 976.25	$ 210,870	$ 180.00	$ 38,880	$ 171,990
Family	*86*	$ 1,154.49	$ 1,191,434	$ 220.00	$ 227,040	$ 964,394
Totals	**132**		$ 1,588,090		$ 299,280	$ 1,288,810
% of Annual Premium					**18.8%**	**81.2%**
2013 Totals	**282**		**$ 3,096,704**		**$ 413,688**	**$ 2,683,016**
% of Annual Premium					**13.4%**	**86.6%**

Proj. Total Premium (HAWAI`I ELECTRIC LIGHT VS. Employee) Cost - 2014 PY CURRENT NEW CBA % of Rate Cost Share-2014		Monthly Premium Rates	Annual Total	Employee Monthly Contribution	Employee Annual Contributions	HECO Annual Contributions
CompMED, Drug,Vis,Dent						
Employee	*25*	$ 358.22	$ 107,466	$ 35.70	$ 10,710	$ 96,756
Employee + Child(ren)	*12*	$ 743.48	$ 107,061	$ 97.34	$ 14,017	$ 93,044
Employee + Spouse	*17*	$ 847.51	$ 172,892	$ 113.99	$ 23,254	$ 149,638
Family	*66*	$ 1,004.31	$ 795,414	$ 139.08	$ 110,151	$ 685,262
Totals	**120**		$ 1,182,833		$ 158,132	$ 1,024,700
% of Annual Premium					**13.4%**	**86.6%**
Kaiser, Drug,Vis,Dent						
Employee	*5*	$ 392.87	$ 23,572	$ 41.25	$ 2,475	$ 21,097
Employee + Child(ren)	*4*	$ 812.78	$ 39,013	$ 108.43	$ 5,205	$ 33,809
Employee + Spouse	*7*	$ 930.66	$ 78,175	$ 127.29	$ 10,692	$ 67,483
Family	*14*	$ 1,101.31	$ 185,020	$ 154.60	$ 25,973	$ 159,047
Totals	**30**		$ 325,781		$ 44,345	$ 281,436
% of Annual Premium					**13.6%**	**86.4%**
HPH, Drug,Vis,Dent						
Employee	*19*	$ 411.86	$ 93,904	$ 44.28	$ 10,096	$ 83,808
Employee + Child(ren)	*9*	$ 850.76	$ 91,882	$ 114.51	$ 12,367	$ 79,515
Employee + Spouse	*18*	$ 976.25	$ 210,870	$ 134.59	$ 29,071	$ 181,799
Family	*86*	$ 1,154.49	$ 1,191,434	$ 163.11	$ 168,330	$ 1,023,104
Totals	**132**		$ 1,588,090		$ 219,864	$ 1,368,226
% of Annual Premium					**13.8%**	**86.2%**
2014 Totals	**282**		**$ 3,096,704**		**$ 422,341**	**$ 2,674,363**
% of Annual Premium					**13.6%**	**86.4%**

HAWAIIAN ELECTRIC LIGHT Estimated Annual Savings **$ 8,653** **$ (8,653)**

For illustrative purposes only, calculations are based on May 2016 enrollments

Purpose to estimate impact of current CBA Ee cost share compared to the old Fixed Dollar Ee cost share vs new % of Rate.

Incremental increases from the previous CBA-BA were extended to years 2015, 2016, 2017, 2018 & 2019.

Under current CBA, $135.08 Flex Credit is applied to premium rates then % share is computed.

Premium rate increase were projected for 2017, 2018 & 2019.

CALCULATION OF HAWAI`I ELECTRIC LIGHT
EMPLOYER vs. EMPLOYEE CONTRIBUTIONS
PREVIOUS CBA-BA vs CURRENT CBA

Est. Total (HAWAI`I ELECTRIC LIGHT vs. Employee) Cost - 2015 PY PREVIOUS CBA-BA Fixed $ Cost Share						2015
	May 2016 Subs	Monthly Premium Rates	Annual Total	Employee Monthly Contributions	Employee Annual Contributions	HECO Annual Contributions
CompMED, Drug,Vis,Dent						
Employee	*25*	$ 408.22	$ 122,466	$ 23.00	$ 6,900	$ 115,566
Employee + Child(ren)	*12*	$ 844.69	$ 121,635	$ 46.00	$ 6,624	$ 115,011
Employee + Spouse	*17*	$ 966.98	$ 197,264	$ 69.00	$ 14,076	$ 183,188
Family	*66*	$ 1,144.37	$ 906,341	$ 92.00	$ 72,864	$ 833,477
Totals	**120**		$ 1,347,706		$ 100,464	$ 1,247,242
% of Annual Premium					**7.5%**	**92.5%**
Kaiser, Drug,Vis,Dent						
Employee	*5*	$ 448.53	$ 26,912	$ 23.00	$ 1,380	$ 25,532
Employee + Child(ren)	*4*	$ 925.28	$ 44,413	$ 46.00	$ 2,208	$ 42,205
Employee + Spouse	*7*	$ 1,063.68	$ 89,349	$ 69.00	$ 5,796	$ 83,553
Family	*14*	$ 1,257.17	$ 211,205	$ 92.00	$ 15,456	$ 195,749
Totals	**30**		$ 371,879		$ 24,840	$ 347,039
% of Annual Premium					**6.7%**	**93.3%**
HPH ZN, Drug,Vis,Dent						
Employee	*19*	$ 468.42	$ 106,800	$ 90.00	$ 20,520	$ 86,280
Employee + Child(ren)	*9*	$ 965.13	$ 104,234	$ 150.00	$ 16,200	$ 88,034
Employee + Spouse	*18*	$ 1,111.52	$ 240,088	$ 190.00	$ 41,040	$ 199,048
Family	*86*	$ 1,312.95	$ 1,354,964	$ 230.00	$ 237,360	$ 1,117,604
Totals	**132**		$ 1,806,087		$ 315,120	$ 1,490,967
% of Annual Premium					**17.4%**	**82.6%**
2013 Totals	**282**		**$ 3,525,672**		**$ 440,424**	**$ 3,085,248**
% of Annual Premium					**12.5%**	**87.5%**

Projected Total (HAWAI`I ELECTRIC LIGHT vs. Employee) Cost-2015 PY CURRENT CBA % of Rate Cost Share						2015
		Monthly Premium Rates	Annual Total	Employee Monthly Contribution	Employee Annual Contributions	HECO Annual Contributions
CompMED, Drug,Vis,Dent						
Employee	*25*	$ 408.22	$ 122,466	$ 46.43	$ 13,929	$ 108,537
Employee + Child(ren)	*12*	$ 844.69	$ 121,635	$ 120.63	$ 17,371	$ 104,265
Employee + Spouse	*17*	$ 966.98	$ 197,264	$ 141.42	$ 28,850	$ 168,414
Family	*66*	$ 1,144.37	$ 906,341	$ 171.58	$ 135,891	$ 770,450
Totals	**120**		$ 1,347,706		$ 196,041	$ 1,151,666
% of Annual Premium					**14.5%**	**85.5%**
Kaiser, Drug,Vis,Dent						
Employee	*5*	$ 448.53	$ 26,912	$ 53.29	$ 3,197	$ 23,714
Employee + Child(ren)	*4*	$ 925.28	$ 44,413	$ 134.33	$ 6,448	$ 37,966
Employee + Spouse	*7*	$ 1,063.68	$ 89,349	$ 157.86	$ 13,260	$ 76,089
Family	*14*	$ 1,257.17	$ 211,205	$ 190.76	$ 32,048	$ 179,157
Totals	**30**		$ 371,879		$ 54,953	$ 316,926
% of Annual Premium					**14.8%**	**85.2%**
HPH ZN, Drug,Vis,Dent						
Employee	*19*	$ 468.42	$ 106,800	$ 56.67	$ 12,921	$ 93,879
Employee + Child(ren)	*9*	$ 965.13	$ 104,234	$ 141.11	$ 15,240	$ 88,994
Employee + Spouse	*18*	$ 1,111.52	$ 240,088	$ 165.99	$ 35,854	$ 204,234
Family	*86*	$ 1,312.95	$ 1,354,964	$ 200.24	$ 206,648	$ 1,148,317
Totals	**132**		$ 1,806,087		$ 270,662	$ 1,535,424
% of Annual Premium					**15.0%**	**85.0%**
2014 Totals	**282**		**$ 3,525,672**		**$ 521,656**	**$ 3,004,016**
% of Annual Premium					**14.8%**	**85.2%**

HAWAI`I ELECTRIC LIGHT Estimated Annual Savings **$ 81,232** **$ (81,232)**

For illustrative purposes only, calculations are based on May 2016 enrollments
Purpose to estimate impact of current CBA Ee cost share compared to the old Fixed Dollar Ee cost share vs new % of Rate.
Incremental increases from the previous CBA-BA were extended to years 2015, 2016, 2017, 2018 & 2019.
Under current CBA, $135.08 Flex Credit is applied to premium rates then % share is computed.
Premium rate increase were projected for 2017, 2018 & 2019.

CALCULATION OF HAWAI`I ELECTRIC LIGHT
EMPLOYER vs. EMPLOYEE CONTRIBUTIONS
PREVIOUS CBA-BA vs CURRENT CBA

Est. (HAWAI`I ELECTRIC LIGHT vs. Employee) Cost - 2016 PY PREVIOUS CBA-BA Fixed $ Cost Share						2016
	May 2016 Subs	Monthly Premium Rates	Annual Total	Employee Monthly Contributions	Employee Annual Contributions	HECO Annual Contributions
CompMED, Drug,Vis,Dent						
Employee	*25*	$ 403.02	$ 120,906	$ 25.00	$ 7,500	$ 113,406
Employee + Child(ren)	*12*	$ 834.31	$ 120,141	$ 50.00	$ 7,200	$ 112,941
Employee + Spouse	*17*	$ 954.52	$ 194,722	$ 75.00	$ 15,300	$ 179,422
Family	*66*	$ 1,129.83	$ 894,825	$ 100.00	$ 79,200	$ 815,625
Totals	**120**		$ 1,330,594		$ 109,200	$ 1,221,394
% of Annual Premium					**8.2%**	**91.8%**
Kaiser, Drug,Vis,Dent						
Employee	*5*	$ 491.52	$ 29,491	$ 25.00	$ 1,500	$ 27,991
Employee + Child(ren)	*4*	$ 1,011.27	$ 48,541	$ 50.00	$ 2,400	$ 46,141
Employee + Spouse	*7*	$ 1,166.86	$ 98,016	$ 70.00	$ 5,880	$ 92,136
Family	*14*	$ 1,377.55	$ 231,428	$ 100.00	$ 16,800	$ 214,628
Totals	**30**		$ 407,477		$ 26,580	$ 380,897
% of Annual Premium					**6.5%**	**93.5%**
HPH ZN, Drug,Vis,Dent						
Employee	*19*	$ 459.90	$ 104,857	$ 100.00	$ 22,800	$ 82,057
Employee + Child(ren)	*9*	$ 948.11	$ 102,396	$ 160.00	$ 17,280	$ 85,116
Employee + Spouse	*18*	$ 1,091.08	$ 235,673	$ 200.00	$ 43,200	$ 192,473
Family	*86*	$ 1,289.11	$ 1,330,362	$ 240.00	$ 247,680	$ 1,082,682
Totals	**132**		$ 1,773,288		$ 330,960	$ 1,442,328
% of Annual Premium					**18.7%**	**81.3%**
2013 Totals	**282**		**$ 3,511,359**		**$ 466,740**	**$ 3,044,619**
% of Annual Premium					**13.3%**	**86.7%**

Proj. Total (HAWAI`I ELECTRIC LIGHT vs. Employee) Cost - 2016 PY CURRENT CBA % of Rate Cost Share						2016
		Monthly Premium Rates	Annual Total	Employee Monthly Contribution	Employee Annual Contributions	HECO Annual Contributions
CompMED, Drug,Vis,Dent						
Employee	*25*	$ 403.02	$ 120,906	$ 48.23	$ 14,469	$ 106,437
Employee + Child(ren)	*12*	$ 834.31	$ 120,141	$ 125.86	$ 18,124	$ 102,017
Employee + Spouse	*17*	$ 954.52	$ 194,722	$ 147.50	$ 30,090	$ 164,632
Family	*66*	$ 1,129.83	$ 894,825	$ 179.06	$ 141,816	$ 753,010
Totals	**120**		$ 1,330,594		$ 204,498	$ 1,126,096
% of Annual Premium					**15.4%**	**84.6%**
Kaiser, Drug,Vis,Dent						
Employee	*5*	$ 491.52	$ 29,491	$ 64.16	$ 3,850	$ 25,642
Employee + Child(ren)	*4*	$ 1,011.27	$ 48,541	$ 157.71	$ 7,570	$ 40,971
Employee + Spouse	*7*	$ 1,166.86	$ 98,016	$ 185.72	$ 15,600	$ 82,416
Family	*14*	$ 1,377.55	$ 231,428	$ 223.64	$ 37,572	$ 193,857
Totals	**30**		$ 407,477		$ 64,592	$ 342,885
% of Annual Premium					**15.9%**	**84.1%**
HPH ZN, Drug,Vis,Dent						
Employee	*19*	$ 459.90	$ 104,857	$ 58.47	$ 13,331	$ 91,526
Employee + Child(ren)	*9*	$ 948.11	$ 102,396	$ 146.35	$ 15,806	$ 86,590
Employee + Spouse	*18*	$ 1,091.08	$ 235,673	$ 172.08	$ 37,169	$ 198,504
Family	*86*	$ 1,289.11	$ 1,330,362	$ 207.73	$ 214,377	$ 1,115,984
Totals	**132**		$ 1,773,288		$ 280,684	$ 1,492,604
% of Annual Premium					**15.8%**	**84.2%**
2014 Totals	**282**		**$ 3,511,359**		**$ 549,774**	**$ 2,961,585**
% of Annual Premium					**15.7%**	**84.3%**

HAWAI`I ELECTRIC LIGHT Estimated Annual Savings **$ 83,034** **$ (83,034)**

For illustrative purposes only, calculations are based on May 2016 enrollments
Purpose to estimate impact of current CBA Ee cost share compared to the old Fixed Dollar Ee cost share vs new % of Rate.
Incremental increases from the previous CBA-BA were extended to years 2015, 2016, 2017, 2018 & 2019.
Under current CBA, $135.08 Flex Credit is applied to premium rates then % share is computed.
Premium rate increase were projected for 2017, 2018 & 2019.

CALCULATION OF HAWAI`I ELECTRIC LIGHT
EMPLOYER vs. EMPLOYEE CONTRIBUTIONS
PREVIOUS CBA-BA vs CURRENT CBA

Est. Total (HAWAI`I ELECTRIC LIGHT vs. Employee) Cost - 2017 PY PREVIOUS CBA-BA Fixed $ Cost Share						2017
	May 2016 Subs	Monthly Premium Rates	Annual Total	Employee Monthly Contributions	Employee Annual Contributions	HECO Annual Contributions
CompMED, Drug,Vis,Dent						
Employee	*25*	$ 413.30	$ 123,989	$ 27.00	$ 8,100	$ 115,889
Employee + Child(ren)	*12*	$ 855.57	$ 123,202	$ 54.00	$ 7,776	$ 115,426
Employee + Spouse	*17*	$ 978.86	$ 199,688	$ 81.00	$ 16,524	$ 183,164
Family	*66*	$ 1,158.66	$ 917,659	$ 108.00	$ 85,536	$ 832,123
Totals	**120**		$ 1,364,538		$ 117,936	$ 1,246,602
% of Annual Premium					**8.6%**	**91.4%**
Kaiser, Drug,Vis,Dent						
Employee	*5*	$ 539.84	$ 32,390	$ 27.00	$ 1,620	$ 30,770
Employee + Child(ren)	*4*	$ 1,108.61	$ 53,213	$ 54.00	$ 2,592	$ 50,621
Employee + Spouse	*7*	$ 1,282.50	$ 107,730	$ 81.00	$ 6,804	$ 100,926
Family	*14*	$ 1,512.89	$ 254,166	$ 108.00	$ 18,144	$ 236,022
Totals	**30**		$ 447,499		$ 29,160	$ 418,339
% of Annual Premium					**6.5%**	**93.5%**
HPH ZN, Drug,Vis,Dent						
Employee	*19*	$ 471.66	$ 107,538	$ 110.00	$ 25,080	$ 82,458
Employee + Child(ren)	*9*	$ 972.33	$ 105,011	$ 170.00	$ 18,360	$ 86,651
Employee + Spouse	*18*	$ 1,118.97	$ 241,698	$ 210.00	$ 45,360	$ 196,338
Family	*86*	$ 1,322.08	$ 1,364,388	$ 250.00	$ 258,000	$ 1,106,388
Totals	**132**		$ 1,818,635		$ 346,800	$ 1,471,835
% of Annual Premium					**19.1%**	**80.9%**
2013 Totals	**282**		**$ 3,630,672**		**$ 493,896**	**$ 3,136,776**
% of Annual Premium					**13.6%**	**86.4%**

Proj. Total (HAWAI`I ELECTRIC LIGHT vs. Employee) Cost - 2017 PY CURRENT CBA % of Rate Cost Share						2017
		Monthly Premium Rates	Annual Total	Employee Monthly Contribution	Employee Annual Contributions	HECO Annual Contributions
CompMED, Drug,Vis,Dent						
Employee	*25*	$ 413.30	$ 123,989	$ 52.86	$ 15,858	$ 108,131
Employee + Child(ren)	*12*	$ 855.57	$ 123,202	$ 136.89	$ 19,712	$ 103,490
Employee + Spouse	*17*	$ 978.86	$ 199,688	$ 160.32	$ 32,705	$ 166,982
Family	*66*	$ 1,158.66	$ 917,659	$ 194.48	$ 154,028	$ 763,631
Totals	**120**		$ 1,364,538		$ 222,304	$ 1,142,234
% of Annual Premium					**16.3%**	**83.7%**
Kaiser, Drug,Vis,Dent						
Employee	*5*	$ 539.84	$ 32,390	$ 76.90	$ 4,614	$ 27,776
Employee + Child(ren)	*4*	$ 1,108.61	$ 53,213	$ 184.97	$ 8,879	$ 44,335
Employee + Spouse	*7*	$ 1,282.50	$ 107,730	$ 218.01	$ 18,313	$ 89,417
Family	*14*	$ 1,512.89	$ 254,166	$ 261.78	$ 43,979	$ 210,187
Totals	**30**		$ 447,499		$ 75,784	$ 371,715
% of Annual Premium					**16.9%**	**83.1%**
HPH ZN, Drug,Vis,Dent						
Employee	*19*	$ 471.66	$ 107,538	$ 63.95	$ 14,581	$ 92,957
Employee + Child(ren)	*9*	$ 972.33	$ 105,011	$ 159.08	$ 17,181	$ 87,831
Employee + Spouse	*18*	$ 1,118.97	$ 241,698	$ 186.94	$ 40,379	$ 201,319
Family	*86*	$ 1,322.08	$ 1,364,388	$ 225.53	$ 232,747	$ 1,131,641
Totals	**132**		$ 1,818,635		$ 304,887	$ 1,513,748
% of Annual Premium					**16.8%**	**83.2%**
2014 Totals	**282**		**$ 3,630,672**		**$ 602,975**	**$ 3,027,697**
% of Annual Premium					**16.6%**	**83.4%**

HAWAI`I ELECTRIC LIGHT Estimated Annual Savings **$ 109,079** **$ (109,079)**

For illustrative purposes only, calculations are based on May 2016 enrollments

Purpose to estimate impact of current CBA Ee cost share compared to the old Fixed Dollar Ee cost share vs new % of Rate.

Incremental increases from the previous CBA-BA were extended to years 2015, 2016, 2017, 2018 & 2019.

Under current CBA, $135.08 Flex Credit is applied to premium rates then % share is computed.

Premium rate increase were projected for 2017, 2018 & 2019.

CALCULATION OF HAWAI`I ELECTRIC LIGHT
EMPLOYER vs. EMPLOYEE CONTRIBUTIONS
PREVIOUS CBA-BA vs CURRENT CBA

Est. Total (HAWAI`I ELECTRIC LIGHT vs. Employee) Cost - 2018 PY PREVIOUS CBA-BA Fixed $ Cost Share						2018
	May 2016 Subs	Monthly Premium Rates	Annual Total	Employee Monthly Contributions	Employee Annual Contributions	HECO Annual Contributions
CompMED, Drug,Vis,Dent						
Employee	*25*	$ 451.47	$ 135,441	$ 29.00	$ 8,700	$ 126,741
Employee + Child(ren)	*12*	$ 932.64	$ 134,300	$ 58.00	$ 8,352	$ 125,948
Employee + Spouse	*17*	$ 1,070.15	$ 218,310	$ 87.00	$ 17,748	$ 200,562
Family	*66*	$ 1,265.60	$ 1,002,358	$ 116.00	$ 91,872	$ 910,486
Totals	**120**		$ 1,490,410		$ 126,672	$ 1,363,738
% of Annual Premium					**8.5%**	**91.5%**
Kaiser, Drug,Vis,Dent						
Employee	*5*	$ 590.67	$ 35,440	$ 29.00	$ 1,740	$ 33,700
Employee + Child(ren)	*4*	$ 1,210.98	$ 58,127	$ 58.00	$ 2,784	$ 55,343
Employee + Spouse	*7*	$ 1,404.15	$ 117,948	$ 87.00	$ 7,308	$ 110,640
Family	*14*	$ 1,655.26	$ 278,083	$ 116.00	$ 19,488	$ 258,595
Totals	**30**		$ 489,599		$ 31,320	$ 458,279
% of Annual Premium					**6.4%**	**93.6%**
HPH ZN, Drug,Vis,Dent						
Employee	*19*	$ 515.67	$ 117,572	$ 120.00	$ 27,360	$ 90,212
Employee + Child(ren)	*9*	$ 1,061.08	$ 114,596	$ 180.00	$ 19,440	$ 95,156
Employee + Spouse	*18*	$ 1,224.27	$ 264,442	$ 220.00	$ 47,520	$ 216,922
Family	*86*	$ 1,445.37	$ 1,491,619	$ 260.00	$ 268,320	$ 1,223,299
Totals	**132**		$ 1,988,229		$ 362,640	$ 1,625,589
% of Annual Premium					**18.2%**	**81.8%**
2013 Totals	**282**		**$ 3,968,238**		**$ 520,632**	**$ 3,447,606**
% of Annual Premium					**13.1%**	**86.9%**

Proj. Total (HAWAI`I ELECTRIC LIGHT vs. Employee) Cost - 2018 PY CURRENT CBA % of Rate Cost Share						2018
		Monthly Premium Rates	Annual Total	Employee Monthly Contribution	Employee Annual Contributions	HECO Annual Contributions
CompMED, Drug,Vis,Dent						
Employee	*25*	$ 451.47	$ 135,441	$ 63.28	$ 18,984	$ 116,457
Employee + Child(ren)	*12*	$ 932.64	$ 134,300	$ 159.51	$ 22,969	$ 111,331
Employee + Spouse	*17*	$ 1,070.15	$ 218,310	$ 187.01	$ 38,150	$ 180,160
Family	*66*	$ 1,265.60	$ 1,002,358	$ 226.10	$ 179,071	$ 823,287
Totals	**120**		$ 1,490,410		$ 259,175	$ 1,231,235
% of Annual Premium					**17.4%**	**82.6%**
Kaiser, Drug,Vis,Dent						
Employee	*5*	$ 590.67	$ 35,440	$ 91.12	$ 5,467	$ 29,973
Employee + Child(ren)	*4*	$ 1,210.98	$ 58,127	$ 215.18	$ 10,329	$ 47,799
Employee + Spouse	*7*	$ 1,404.15	$ 117,948	$ 253.81	$ 21,320	$ 96,628
Family	*14*	$ 1,655.26	$ 278,083	$ 304.04	$ 51,079	$ 227,005
Totals	**30**		$ 489,599		$ 88,195	$ 401,404
% of Annual Premium					**18.0%**	**82.0%**
HPH ZN, Drug,Vis,Dent						
Employee	*19*	$ 515.67	$ 117,572	$ 76.12	$ 17,355	$ 100,217
Employee + Child(ren)	*9*	$ 1,061.08	$ 114,596	$ 185.20	$ 20,002	$ 94,595
Employee + Spouse	*18*	$ 1,224.27	$ 264,442	$ 217.84	$ 47,053	$ 217,389
Family	*86*	$ 1,445.37	$ 1,491,619	$ 262.06	$ 270,446	$ 1,221,173
Totals	**132**		$ 1,988,229		$ 354,856	$ 1,633,373
% of Annual Premium					**17.8%**	**82.2%**
2014 Totals	**282**		**$ 3,968,238**		**$ 702,226**	**$ 3,266,012**
% of Annual Premium					**17.7%**	**82.3%**

HAWAI`I ELECTRIC LIGHT Estimated Annual Savings **$ 181,594** **$ (181,594)**

For illustrative purposes only, calculations are based on May 2016 enrollments
Purpose to estimate impact of current CBA Ee cost share compared to the old Fixed Dollar Ee cost share vs new % of Rate.
Incremental increases from the previous CBA-BA were extended to years 2015, 2016, 2017, 2018 & 2019.
Under current CBA, $135.08 Flex Credit is applied to premium rates then % share is computed.
Premium rate increase were projected for 2017, 2018 & 2019.

ABOUT PREPAID HEALTH CARE

Originally enacted in 1974, the Hawaii PHC Act was the first in the nation to set minimum standards of health care benefits for workers. Employers, excluding Federal, State and City government and other categories specifically excluded by the law (sections 393-3 (http://www.capitol.hawaii.gov/hrscurrent/Vol07_Ch0346-0398/HRS0393/HRS_0393-0003.htm) , 393-5 (http://www.capitol.hawaii.gov/hrscurrent/Vol07_Ch0346-0398/HRS0393/HRS_0393-0005.htm) and 393-6 (http://www.capitol.hawaii.gov/hrscurrent/Vol07_Ch0346-0398/HRS0393/HRS_0393-0006.htm)) are required to provide Hawaii employees, who suffer a disability due to non-work related illness or injury, with adequate medical coverage for non-work related illness or injury, protecting them from the high cost of medical and hospital care.

Employers must provide health care coverage to employees who work at least twenty (20) hours per week and earn 86.67 times the current Hawaii minimum wage a month (as of January 1, 2016, $8.50 x 86.67 = $737). Coverage commences after four (4) consecutive weeks of employment or the earliest time thereafter at which coverage can be provided by the health care plan contractor, which is usually the first of the month.

Employers can choose one of the following three ways to provide the mandated coverage to their employees.

- Purchase an approved plan (http://labor.hawaii.gov/dcd/files/2013/10/Approved-Health-Care-Plans.pdf) . In Hawaii, insurance companies, mutual benefit societies and health maintenance organizations can sell health care plans to Hawaii employers directly. These plans must be reviewed by the PHC Advisory Council (http://labor.hawaii.gov/dcd/home/about-prepaid-health-care/council/) and approved by the Director of the Department of Labor and Industrial Relations (DLIR) before they can be marketed to employers.
- Purchase an insured plan of employers' choice. Some employers with corporate officers located outside of Hawaii purchase a health care plan and offer such plan to their employees on a nationwide basis. Employers that choose this option must submit their plan to DLIR for review by the PHC Advisory Council and approval by the Director to ensure the benefits are comparable to plans sold in Hawaii.
- Provide a health care plan that is funded by the employer. As a self-insurer, the employer must show proof of financial solvency and ability to pay benefits by furnishing DLIR with the latest audited financial statements for review. Following the initial approval, the audited financial statements must be filed annually for continued approval. Employers choosing this option must complete an application for self-insurance (Form HC-61 (http://labor.hawaii.gov/dcd/files/2012/11/HC-61.pdf)) as well as submit a copy of their health care plan to DLIR for review by the PHC Advisory Council and approval by the Director to ensure the benefits are comparable to plans sold in Hawaii.

All health care plans, whether sold by health care contractors or submitted by employers, must be approved by DLIR as meeting the prescribed minimum standards. Such determination is made by the Director under the advisement of a seven-member PHC Advisory Council consisting of representatives from the medical and public health care professions, from consumer interests, and from the prepaid health care protection industry. Upon approval, plans are designated as a 7(a) or 7(b) plan. Plans designated as 7(a) are equal to or better than the benefits offered by the plan with the largest number of subscribers (also known as the prevalent plan) in the State of Hawaii. (See the summary of benefits offered by the PPO (http://labor.hawaii.gov/dcd/files/2012/11/HC-7a-1.pdf) and HMO (http://labor.hawaii.gov/dcd/files/2012/11/HC-7-a-2.pdf) prevalent plans.) Plans designated as 7(b) provide for sound basic hospital, surgical, medical, and other health care benefits; however, plan's benefits, such as, the deductible, out of pocket limit, lifetime maximum benefit, benefit level and copayments, may be more limited than the benefits provided by plans qualifying as 7(a). Plans qualifying as 7(b) require the employer to pay one-half of the cost for dependents' coverage.

Employers may elect to pay the entire monthly premium or share the cost with their employees. Employers must pay at least 50% of the premium cost, but the employees' share cannot exceed the lesser of 50% of the premium cost or 1.5% of the employees' monthly gross earnings. Cost sharing for dependents is determined by plan type. If employers purchase an approved plan, the health care contractor is responsible for informing the employers whether they are responsible for contributing toward dependents' coverage. If employers submit a plan for approval, DLIR is responsible for informing the employers of their plan approval designation and whether they are responsible for contributing toward dependents' coverage.

There are situations where employees can waive the mandated coverage. These include being covered by a federally established health insurance, such as, Medicare and Medicaid, covered as a dependent under a qualified plan, recipient of public assistance and covered by state-legislated health plan, covered under their own personal health insurance policy or a follower of a religious group who depends for healing upon prayer or other spiritual means. Employees are required to complete "Employee Notification to Employer" (Form HC-5 (http://labor.hawaii.gov/dcd/forms/#PHC)) every calendar year to validate the exemption so that employers are relieved of the responsibility for providing the mandated health care coverage.

Unless specifically excluded under the law or a Notice to Employer to waive coverage is filed with the employers, all employees who meet the eligibility requirements are entitled to health care coverage through employer-based group policies. Complaints (Form DC-54 (http://labor.hawaii.gov/dcd/files/2012/11/DC-54.pdf)) related to non-coverage by employers can be filed with the Investigation Section (http://labor.hawaii.gov/dcd/contact/#investigation) in Honolulu or on the neighbor-island, the Department of Labor and Industrial Relations District Office nearest the complainant for assistance. Complaints related to benefits of the plan are usually filed directly with the health care contractors who are regulated by the Department of Commerece and Consumer Affairs, Insurance Division.

For more information please see the Highlights of the Prepaid Health Care Law (http://labor.hawaii.gov/dcd/files/2013/01/PHC-highlights.pdf) and Frequently Asked Questions (http://labor.hawaii.gov/dcd/frequently-asked-questions/phc/) .

Form HC-7(a)
(Rev. 09/11)

IDENTIFYING NAME OR NUMBER OF PLAN: ______________________

"REIMBURSEMENT" TYPE PLANS

BENEFIT	PREFERRED PROVIDER PLAN		EXPLAIN ANY VARIATION FROM PREFERRED PROVIDER PLAN
	Participating Provider (No Annual Deductible unless otherwise stated)	**Non-Participating Provider** (All benefits payable after annual deductible unless otherwise stated)	
PREVENTIVE CARE BENEFITS			
Screening Services • Grade A & B recommendations of the U.S. Preventive Services Task Force	100% of Eligible Charges	70% of Eligible Charges	
Screening by Low-Dose Mammography • Ages 35-39: 1 baseline mammogram; • Ages 40 or older: 1 per calendar year; • A woman of any age may receive the screening more often if she, her mother, or sister has a history of breast cancer.	100% of Eligible Charges	70% of Eligible Charges with no annual deductible	
Well-Child Care Visits • 7 visits from birth through age 12 months; • 3 visits during age 1; • 2 visits during age 2; • 1 visit each year through age 21	100% of Eligible Charges	70% of Eligible Charges with no annual deductible	
Well-Child Immunization	100% of Eligible Charges	100% of Eligible Charges with no deductible	
Immunization	100% of Eligible Charges	70% of Eligible Charges	

Note: Eligible Charges are based on the lower of the actual charge on the claim, the discounted charge negotiated by the Association, or the charge listed for the service in the Association's Schedule of Maximum Allowable Charges. For a covered service, which does not have a charge, listed in the Schedule, the Association will establish the Maximum Allowable Charge. The Association also reserves the right to annually adjust the charges listed in the Schedule of Maximum Allowable Charges.

Form HC-7(a)
(Rev. 09/11)

"REIMBURSEMENT" TYPE PLANS

BENEFIT	PREFERRED PROVIDER PLAN		EXPLAIN ANY VARIATION FROM PREFERRED PROVIDER PLAN
	Participating Provider (No Annual Deductible unless otherwise stated)	**Non-Participating Provider** (All benefits payable after annual deductible unless otherwise stated)	
MEDICAL BENEFITS			
Home, Office, or Office Consultation Visit	90% of Eligible Charges	70% of Eligible Charges	
Hospital Emergency Room Visits	90% of Eligible Charges	90% of Eligible Charges with no annual deductible	
Hospital or Skilled Nursing Facility Intensive Medical Care Medical/Surgical Consultation	90% of Eligible Charges	70% of Eligible Charges	
SURGICAL BENEFITS			
Surgery in or out of the Hospital			
Non-Cutting Surgery	80% of Eligible Charges	70% of Eligible Charges	
Cutting Surgery	90% of Eligible Charges	70% of Eligible Charges	
Anesthesiology	90% of Eligible Charges	70% of Eligible Charges	
DIAGNOSTIC LAB, X-RAY FILMS & RADIOLOGY BENEFITS	Out of the Hospital:		
X-Rays	80% of Eligible Charges	70% of Eligible Charges	
Lab Services and Diagnostic Tests	80% of Eligible Charges	70% of Eligible Charges	
Radiotherapy	80% of Eligible Charges	70% of Eligible Charges	

"REIMBURSEMENT" TYPE PLANS

BENEFIT	PREFERRED PROVIDER PLAN		EXPLAIN ANY VARIATION FROM PREFERRED PROVIDER PLAN
	Participating Provider (No Annual Deductible unless otherwise stated)	**Non-Participating Provider** (All benefits payable after annual deductible unless otherwise stated)	
HOSPITAL and FACILITY BENEFITS Inpatient Care (365 days per calendar year)			
Room and Board	90% of Eligible Charges (Based on semiprivate room rate)	70% of Eligible Charges (Based on semiprivate room rate)	
Intermediate & Isolation Care Units	90% of Eligible Charges	70% of Eligible Charges	
ICU and CCU	90% of Eligible Charges	70% of Eligible Charges	
Hospital Ancillary Services (operating room, surgical supplies, drugs, dressings, antibiotics, oxygen, hospital anesthesia services and supplies, etc.)	90% of Eligible Charges	70% of Eligible Charges	
Outpatient Facility	90% of Eligible Charges	70% of Eligible Charges	
Outpatient Emergency Room (used in connection with medical and surgical services of emergent or urgent nature)	90% of Eligible Charges	90% of Eligible Charges with no annual deductible	
Ambulatory Surgical Center	90% of Eligible Charges	70% of Eligible Charges	
MATERNITY BENEFITS			
Pregnancy, Childbirth or Termination of Pregnancy, and Related Medical Conditions	Regular plan benefits apply for physician, hospital, laboratory, and x-ray services, etc.		
Birthing Centers	Regular Hospital and Facility benefits apply		

Form HC-7(a)
(Rev. 09/11)

"REIMBURSEMENT" TYPE PLANS

BENEFIT	PREFERRED PROVIDER PLAN		EXPLAIN ANY VARIATION FROM PREFERRED PROVIDER PLAN
	Participating Provider (No Annual Deductible unless otherwise stated)	**Non-Participating Provider** (All benefits payable after annual deductible unless otherwise stated)	
CONTRACEPTIVE PRESCRIPTION / DEVICES	Varied Copayments ($10-20%-50%). Copayments do not count toward the annual copayment maximum	Varied Copayments ($10-20%-50%), which do not count toward the annual deductible or annual copayment maximum	
MENTAL HEALTH AND SUBSTANCE ABUSE BENEFITS			
In-Hospital Care from a licensed physician, Psychiatrist, Psychologist, Clinical Social Worker, Marriage and family therapist, licensed mental health counselor, or Advanced Practice Registered Nurse	90% of Eligible Charges	70% of Eligible Charges	
Inpatient Care	Regular Hospital and Facility Benefits apply		
Out-of-Hospital Care from a licensed physician, Psychiatrist, Psychologist, Clinical Social Worker, Marriage and family therapist, licensed mental health counselor, or Advanced Practice Registered Nurse	90% of Eligible Charges	70% of Eligible Charges	
Outpatient Care	Regular Hospital and Facility Benefits apply		
Psychological Testing			
Outpatient	80% of Eligible Charges	70% of Eligible Charges	
Inpatient	90% of Eligible Charges	70% of Eligible Charges	

Form HC-7(a)
(Rev. 09/11)

"REIMBURSEMENT" TYPE PLANS

BENEFIT	PREFERRED PROVIDER PLAN		EXPLAIN ANY VARIATION FROM PREFERRED PROVIDER PLAN
	Participating Provider (No Annual Deductible unless otherwise stated)	**Non-Participating Provider** (All benefits payable after annual deductible unless otherwise stated)	
SKILLED NURSING FACILITY (120 days per calendar year)	90% of Eligible Charges (Based on semiprivate room rate)	70% of Eligible Charges (Based on semiprivate room rate)	
HOME HEALTH CARE BENEFITS (150 visits per calendar year by qualified home health care agency if physician certifies patient is homebound due to illness or injury)	100% of Eligible Charges	70% of Eligible Charges	
HOSPICE CARE	100% of Eligible Charges (For hospice services and hospice referral visits)	Not a benefit	
MEDICAL FOODS	80% of Eligible Charges Copayments do not count toward the annual copayment maximum	80% of Eligible Charges with no annual deductible. Copayments do not count toward the annual copayment maximum	

"REIMBURSEMENT" TYPE PLANS

BENEFIT	PREFERRED PROVIDER PLAN: Participating Provider (No Annual Deductible unless otherwise stated)	PREFERRED PROVIDER PLAN: Non-Participating Provider (All benefits payable after annual deductible unless otherwise stated)	EXPLAIN ANY VARIATION FROM PREFERRED PROVIDER PLAN
AMBULANCE BENEFITS (Ground)	80% of Eligible Charges after annual deductible	70% of Eligible Charges after annual deductible	
OTHER MEDICAL BENEFITS:	80% of Eligible Charges after annual deductible	70% of Eligible Charges after annual deductible	
1. Air Ambulance 2. Allergy Testing & Treatment 3. Appliances and Durable Medical Equipment 4. Blood & Blood Products 5. Chemotherapy – Infusion /Injections 6. Dialysis and Supplies 7. Evaluations for Use of Hearing Aids 8. Outpatient Injections 9. Outpatient Physical & Occupational Therapy – Inpatient benefit for participating provider is 90% of eligible charges; no deductible 10. Outpatient Speech Therapy – Inpatient benefit for participating provider is 90% of eligible charges; no deductible 11. Recipient of Transplant Donor Services			
Maximum Benefits	No lifetime dollar maximum		
Deductible	$100 per beneficiary per calendar year or maximum $300 per family per calendar year. The deductible applies to services where indicated.		
Maximum Annual Copayment	$2,500 maximum annual copayment (portion of Eligible Charges not paid by the plan) per beneficiary per calendar year or maximum $7,500 per family per calendar year including the deductible. Thereafter, Association will pay 100% of Eligible Charges for covered services for the remainder of the calendar year		

Form HC-7(a)
(Rev. 09/11)

"REIMBURSEMENT" TYPE PLANS

BENEFIT	PREFERRED PROVIDER PLAN		EXPLAIN ANY VARIATION FROM PREFERRED PROVIDER PLAN
	Participating Provider (No Annual Deductible unless otherwise stated)	**Non-Participating Provider** (All benefits payable after annual deductible unless otherwise stated)	
EXCLUSIONS: No benefits will be paid in connection with services not described as covered in the certificate. Summary of exclusions is available upon request. (Please contact Department of Labor and Industrial Relations, Disability Compensation Division at (808) 586-9188.)			

IDENTIFYING NAME OF PLAN: Kaiser Permanente Group Plan

Form HC-7(a-2)
(Rev. 01/12)

"SERVICE" TYPE PLANS

BENEFITS	KPGP MEMBER PAYS	EXPLAIN ANY VARIATION FROM KPGP
OFFICE VISITS	$20.00 per visit	
OUTPATIENT SURGERY AND PROCEDURES	$20.00 per visit (medical office) 10% of applicable charges (ambulatory surgery center or hospital-based setting)	
HOSPITALIZATION 365 days per year	10% of applicable charges	
PREVENTIVE CARE OFFICE VISITS Well child office visits, one preventive care office visit per calendar year (for members over 2 years of age), and one gynecological office visit per calendar year for female members	No charge	
SKILLED NURSING CARE Up to 60 days of skilled nursing care per Benefit Period	10% of applicable charges	
OBSTETRICAL (MATERNITY) CARE Routine: Prenatal, delivery, and postpartum visit	No charge for routine prenatal visits and one postpartum visit 10% of applicable charges for delivery (hospital stay)	
INTERRUPTED PREGNANCY Elective abortion	$20.00 per visit (medical office) 10% of applicable charges (ambulatory surgery center or hospital-based setting) Limited to 2 per lifetime	

"SERVICE" TYPE PLANS

BENEFITS	KPGP MEMBER PAYS	EXPLAIN ANY VARIATION FROM KPGP
Medically indicated abortion	\$20.00 per visit (medical office) 10% of applicable charges (ambulatory surgery center or hospital-based setting) No limit on medically necessary abortions	
IN VITRO FERTILIZATION	20% of applicable charges. One-time only under Kaiser Permanente	
LABORATORY		
Inpatient	Included in the hospitalization copay	
Outpatient	\$10.00 per day for basic laboratory services and 20% of applicable charges for specialized laboratory services (e.g. tissue samples, cell studies, chromosome studies, and testing for genetic disease)	
IMAGING		
Inpatient	Included in the hospitalization copay	
Outpatient	\$10.00 per day for general radiology and diagnostic mammogram and 20% of applicable charges for all other imaging services (e.g. CT, interventional radiology, MRI, nuclear medicine, and ultrasound)	
TESTING		
Inpatient	Included in the hospitalization copay	
Outpatient	20% of applicable charges	
RADIATION THERAPY		
Inpatient	Included in the hospitalization copay	
Outpatient	20% of applicable charges	

"SERVICE" TYPE PLANS

BENEFITS	KPGP MEMBER PAYS	EXPLAIN ANY VARIATION FROM KPGP
PHYSICAL, OCCUPATIONAL, SPEECH THERAPY	Limited by significant, measurable improvement, KP clinical guidelines apply	
Inpatient	Included in the hospitalization copay	
Outpatient	$20.00 per visit	
EMERGENCY COVERAGE		
Within Hawaii service area	$100 per visit, plus other applicable plan charges	
Outside Hawaii service area	20% of applicable charges, plus other applicable plan charges	
EMERGENCY AMBULANCE -- AIR & GROUND	20% of applicable charges	
HOME HEALTH CARE	No charge, except $20.00 per visit, for Physician house call	
HOSPICE SERVICES		
(Two 90-day periods, followed by an unlimited number of 60-day periods. The member must be certified by a Physician as terminally ill at the beginning of each period.)	No charge	
MENTAL HEALTH SERVICES		
Inpatient	10% of applicable charges	
Outpatient	$20.00 per visit	
Specialized facility services	$20.00 per visit (day treatment or partial hospitalization)	
	10% of applicable charges (non-hospital residential services)	

"SERVICE" TYPE PLANS

BENEFITS	KPGP MEMBER PAYS	EXPLAIN ANY VARIATION FROM KPGP
CHEMICAL DEPENDENCY		
Inpatient	10% of applicable charges	
Outpatient	$20.00 per visit	
Specialized facility services	$20.00 per visit (day treatment or partial hospitalization)	
	10% of applicable charges (non-hospital residential services)	
OUT-OF-POCKET LIMITS		
Individual	$2,500 per calendar year	
Family (3 or more individuals)	$7,500 per calendar year	
EXCLUSIONS No benefits will be paid in connection with: alternative medical services (e.g. – acupuncture, chiropractic etc...), artificial aids (e.g. - eyeglasses, contact lens, hearing aids etc...), cardiac rehabilitation, corrective appliances (e.g. - orthotics, braces, external prosthetics, splints etc...), cosmetic services, dental care services, services and related paperwork required by an outside agency/body, take home drugs, non-FDA approved drugs and devices, custodial and intermediate level nursing facility services, durable medical equipment, employer or government responsibility, experimental or investigational services, homemaker services, radial keratotomy or similar procedures, long term or maintenance		

"SERVICE" TYPE PLANS

BENEFITS	KPGP MEMBER PAYS	EXPLAIN ANY VARIATION FROM KPGP
therapies (physical, occupational and speech), take home supplies, travel immunizations, routine foot care, sexual dysfunction, transportation (except for medically necessary ambulance services), lodging, living expenses, gender reassignment, reversal of voluntary infertility, services and supplies not medically necessary.		

Hawaiian Electric Company, Inc.

July 17, 2012

Mrs. Audrey Kubo
TDI/HC Specialist
Department of Labor and Industrial Relations
Disability Compensation Division
P.O. Box 3769
Honolulu, HI 96812-3769

Dear Mrs. Kubo:

RE: **REQUESTING APPROVAL FOR HECO COMPMED B**
HEALTH CARE REFORM: PREVENTIVE HEALTH SERVICES FOR WOMEN
EFFECTIVE JULY 1, 2012

The HECO/HEI plan is a non-grandfathered plan. As required by Health Care Reform under the Patient Protection and Affordability Care Act of 2010, we have added Preventive Health Services for Women, effective July 1, 2012. We request continued approval of our plan with these federally mandated changes.

Should you have any questions, please contact me at 543-4674.

Sincerely,

Myra O'Brien

Myra O'Brien
Employee Benefits Administrator
Compensation & Benefits Division
HR Strategies & Programs

Attachment 1 / Enclosures

NEIL ABERCROMBIE
GOVERNOR

DWIGHT TAKAMINE
DIRECTOR

AUDREY HIDANO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.hawaii.gov/labor
Phone (808) 586-8842 / Fax (808) 586-9099
Email dlir.director@hawaii.gov

August 22, 2012

Ms. Myra O'Brien
Employee Benefits Administrator
Compensation & Benefits Division
Hawaiian Electric Industries, Inc.
P.O. Box 2750
Honolulu, HI 96840-0001

DOL #000 020 5184

Dear Ms. O'Brien:

Thank you for your July 17, 2012 letter informing us of the July 1, 2012 changes to your Hawaii Medical Service Association health care plan **(HECO CompMED)** as a result of the Patient Protection and Affordable Care Act.

Your cooperation in complying with the Prepaid Health Care Act is appreciated.

Sincerely,

DWIGHT TAKAMINE

c: Ms. Audrey Kubo
State of Hawaii
Department of Labor and Industrial Relations
Disability Compensation Division

Hawaiian Electric Company, Inc.

July 17, 2012

Mrs. Audrey Kubo
TDI/HC Specialist
Department of Labor and Industrial Relations
Disability Compensation Division
P.O. Box 3769
Honolulu, HI 96812-3769

Dear Mrs. Kubo:

RE: **REQUESTING APPROVAL FOR HECO HEALTH PLAN HAWAII - B**
HEALTH CARE REFORM: PREVENTIVE HEALTH SERVICES FOR WOMEN
EFFECTIVE JULY 1, 2012

The HECO/HEI plan is a non-grandfathered plan. As required by Health Care Reform under the Patient Protection and Affordability Care Act of 2010, we have added Preventive Health Services for Women, effective July 1, 2012. We request continued approval of our plan with these federally mandated changes.

Should you have any questions, please contact me at 543-4674.

Sincerely,

Myra O'Brien

Myra O'Brien
Employee Benefits Administrator
Compensation & Benefits Division
HR Strategies & Programs

Attachment 1 / Enclosures

NEIL ABERCROMBIE
GOVERNOR

DWIGHT TAKAMINE
DIRECTOR

AUDREY HIDANO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.hawaii.gov/labor
Phone (808) 586-8842 / Fax (808) 586-9099
Email: dlir.director@hawaii.gov

August 22, 2012

Ms. Myra O'Brien
Employee Benefits Administrator
Compensation & Benefits Division
Hawaiian Electric Industries, Inc.
P.O. Box 2750
Honolulu, HI 96840-0001

DOL #000 020 5184

Dear Ms. O'Brien:

Thank you for your July 17, 2012 letter informing us of the July 1, 2012 changes to your Hawaii Medical Service Association health care plan **(HECO Health Plan Hawaii - B)** as a result of the Patient Protection and Affordable Care Act.

Your cooperation in complying with the Prepaid Health Care Act is appreciated.

Sincerely,

DWIGHT TAKAMINE

c: Ms. Audrey Kubo
State of Hawaii
Department of Labor and Industrial Relations
Disability Compensation Division

Hawaii Electric Light Co.

Participant Count **5/1/2016**

Plan Name	**Single**	**Emp + 1**	**Single Parent**	**Family**	**Grand Total**
HMSA CompMed	25	17	12	66	120
HMSA CompMed - No Drugs	0	0	0	0	0
HMSA HPH	19	18	9	86	132
HMSA HPH No Drugs	0	0	0	0	0
Kaiser HMO	5	7	4	14	30
Kaiser HMO - No Drugs	0	0	1	1	2
Total	**49**	**42**	**26**	**167**	**284**

Dental
Vision

Combined Totals
Participant Count **5/1/2016**

Plan Name	Single	Emp + 1	Single Parent	Family	Grand Total
HMSA CompMed	305	166	81	459	1011
HMSA CompMed - No Drugs	0	1	0	3	4
HMSA HPH	256	163	109	604	1132
HMSA HPH No Drugs	0	0	0	0	0
Kaiser HMO	133	63	35	197	428
Kaiser HMO - No Drugs	4	0	1	1	6
Total	**698**	**393**	**226**	**1264**	**2581**

Dental

Vision

Hawaii Employer-Union Health Benefits Trust Fund

REFERENCE GUIDE (EUTF and HSTA VB)

FOR ACTIVE EMPLOYEE BENEFIT PLANS

Effective July 1, 2016 through June 30, 2017

Disclaimer: This Reference Guide offers general information on your health and other benefits plans. Your health benefits are exclusively governed by the Hawaii Revised Statutes and the EUTF Administrative Rules, as they are amended from time to time. Nothing in this Guide is intended to amend, change, or contradict the Hawaii Revised Statutes and the EUTF Administrative Rules. This Guide is not a legal document or contract and the information in the Guide is not intended as legal advice or to create any legal or contractual liabilities.

This guide can be made available to individuals who have special needs or who need auxiliary aids for effective communication (i.e., large print or audiotape), as required by the Americans with Disabilities Act of 1990. Please contact the EUTF office at 808-586-7390 or toll free at 1-800-295-0089 for special needs

Active Employee Benefit Plan Summaries

The following section provides condensed summaries of the health plans and life insurance coverage available for active employees. Remember that certain limitations and exclusions apply to all insurance plans. More complete information on the plans can be obtained directly from the carriers or from the EUTF website at eutf.hawaii.gov. If there should be any discrepancy between the information provided in this Reference Guide and that contained in the carrier's Guide to Benefits, the language in the carrier's Guide to Benefits will take precedence.

Medical and Prescription Drug Plan Options

Medical coverage is important to everyone. The Plans offered by the EUTF provide preventive care benefits to keep you healthy and many other benefits to help during those times when you are not. The EUTF offers the following Plan options, including prescription drug:

- Preferred Provider Organization (PPO) 90/10 Plan
- Preferred Provider Organization (PPO) 80/20 Plan
- Preferred Provider Organization (PPO) 75/25 Plan
- Health Maintenance Organization (HMO) Plans
- Supplemental Plan for those who are covered under another plan, such as a spouse's plan

The HSTA VB medical plan options, including prescription drug:

- Preferred Provider Organization (PPO) 90/10 Plan
- Preferred Provider Organization (PPO) 80/20 Plan
- Health Maintenance Organization (HMO) Plan

Understanding the Plan Designs
Preferred Provider Organization Plans (PPO) - EUTF 90/10, 80/20, and 75/25 and HSTA VB 90/10 and 80/20

A PPO plan is a medical plan that is based on a network of preferred medical providers who have contracts with the carrier. Coverage is also available if you go to a provider who is not in the network. A PPO gives you the flexibility to visit the providers you choose – inside or outside of the Plan's network. However, your out of pocket medical costs will be lower if you receive care from an in-network provider or facility. The numbers in the plan titles – 90/10, 80/20, or 75/25 – refer to the percent of eligible charges that the carrier pays for most network services – 90%, 80%, or 75% - and the amount the employee is responsible for, 10%, 20%, or 25%. It's important to note that when you participate in a PPO, you are responsible for asking if your medical provider is in the network or not. If you use an out-of-network provider, your out of pocket costs will be higher since most out-of-network expenses are paid at 60%, 70%, or 80% and you would be responsible for 40%, 30%, or 20% of the covered expense. Also, you'll often be responsible for submitting your own claims. Services provided by an out-of-network provider will impact your total cost. In addition to the higher copayments, you are responsible for the difference between the provider's billed charge and the Plan's eligible charge.

Health Maintenance Organization (HMO) - EUTF HMSA HMO and Kaiser Comprehensive and Standard HMO and HSTA VB Kaiser Comprehensive HMO

Under an HMO, you agree to use the health care professionals and facilities associated with that HMO. Except in emergencies, HMO's do not cover the cost of services you receive from doctors or other providers outside of the HMO's network. With an HMO, there are no deductibles or claim forms. After a copayment for each office visit, most medical expenses are covered at 100%. You must select a Primary Care Provider to coordinate your care.

<u>Supplemental Plan (Co-Payment Plan)</u> - EUTF Royal State National Supplemental

If you have a primary medical plan through your non-State/County employed spouse/DP/CUP or another source, you can choose this plan. Covered medical expenses that are not covered by the other primary medical plan such as that plan's copays or coinsurance are paid under this plan. Covered expenses include copays for prescription drugs so there is not a separate drug plan offered with the supplemental plan. You can enroll in the supplemental plan **<u>only</u>** if you have primary medical plan coverage not provided through the State or counties.

EUTF ACTIVES

Medical Plan Coverage Chart (HMSA, Kaiser, RSN) - EUTF

Plan Design	EUTF 90/10 PPO Plan		EUTF 80/20 PPO Plan	
Carrier	**HMSA**		**HMSA**	
General	In-Network	Out-of-Network*	In-Network	Out-of-Network*
Calendar Year Deductible Single/Family	None	$100 per person; $300 per family	None	$250 per person; $750 per family
Calendar Year Maximum Out-of-Pocket Single/Family	$2,000/$4,000		$2,500/$5,000	
Lifetime Benefit Maximum	None		None	
Plan Year Benefit Maximum	None		None	
Physician Services	**YOU PAY*:**		**YOU PAY*:**	
Primary Care Office Visit	10%	30%	20%	40%
Specialist Office Visit	10%	30%	20%	40%
Routine Physical Exams	No Charge	No Charge**	No Charge	No Charge**
Screening Mammography	No Charge	30%**	No Charge	40%**
Immunizations	No Charge	No Charge**	No Charge	No Charge**
Well Baby Care Visits	No Charge	30%**	No Charge	40%**
Maternity	Same as any other condition	Same as any other condition	10%	40%
Second opinion – surgery	10%	30%	20%	40%
Emergency Services				
Emergency Room (ER care)	10%	10%**	20%	20%**
Ambulance	10%	30%	20%	40%
Inpatient Hospital Services				
Room & Board	10%	30%	20%	40%
Ancillary Services	10%	30%	20%	40%
Physician Services	10%	30%	20%	40%
Surgery	10%	30%	20%	40%
Anesthesia	10%	30%	20%	40%
Outpatient Services				
Chemotherapy/ Radiation Therapy	10%	30%	20%	40%
Surgery	10%	30%	20%	40%
Diagnostic Lab	10%	30%	20%	40%
Diagnostic X-ray	10%	30%	20%	40%
Anesthesia	10%	30%	20%	40%
Mental Health Services				
Inpatient Care	10%	30%	20%, Facility Services	40%, Facility Services
Outpatient Care	10%	30%	20%, Facility Services	40%, Facility Services
Other Services				
Durable Medical Equipment	10%	30%	20%	40%
Home Health Care	No Charge	30%	20%	40%
Hospice Care	No Charge	Not Covered	No Charge	Not Covered
Nursing Facility - Skilled Care	10%, 120 days/CY	30%, 120 days/CY	20%, 120 days/CY	40%, 120 days/CY
Physical & Occupational Therapy	10%	30%	20%	40%
Notes:	* If you receive services from a nonparticipating (out-of-network) provider you are responsible for the copayment or coinsurance plus any difference between the actual charge and the eligible charge. **Deductible does not apply For prescription drug coverage, refer to the PPO plan on page 28.		* If you receive services from a nonparticipating (out-of-network) provider you are responsible for the copayment or coinsurance plus any difference between the actual charge and the eligible charge. **Deductible does not apply For prescription drug coverage, refer to the PPO plan on page 28.	

EUTF ACTIVES

Medical Plan Coverage Chart (HMSA, Kaiser, RSN) – EUTF continued

Plan Design	EUTF 75/25 PPO Plan		Supplemental
Carrier	HMSA		Royal State
General	In-Network	Out-of-Network*	
Calendar Year Deductible Single/Family	$300/$900		None/None
Calendar Year Maximum Out-of-Pocket Single/Family	$5,000/$10,000		None
Lifetime Benefit Maximum	None		None
Plan Year Benefit Maximum	None		All Services:$3,500 per person; Sublimit for Rx: $350/$700/$1,000
Physician Services	YOU PAY*:		YOU PAY:
Primary Care Office Visit	25%**	40%	Co-pay covered
Specialist Office Visit	25%**	40%	Co-pay covered
Routine Physical Exams	No Charge**	No Charge**	Co-pay covered
Screening Mammography	No Charge**	40%**	Co-pay covered
Immunizations	No Charge**	No Charge**	Co-pay covered
Well Baby Care Visits	No Charge**	40%**	Co-pay covered
Maternity	25%	40%	Co-pay covered
Second Opinion – Surgery	25%**	40%	Co-pay covered
Emergency Services			
Emergency Room (ER care)	25%	25%	Co-pay covered
Ambulance	25%	40%	Co-pay covered
Inpatient Hospital Services			
Room & Board	25%	40%	Co-pay covered
Ancillary Services	25%	40%	Co-pay covered
Physician Services	25%	40%	Co-pay covered
Surgery	25%	40%	Co-pay covered
Anesthesia	25%	40%	Co-pay covered
Outpatient Services			
Chemotherapy/ Radiation Therapy	25%	40%	Co-pay covered
Surgery	25%	40%	Co-pay covered
Diagnostic Lab	25%	40%	Co-pay covered
Diagnostic X-ray	25%	40%	Co-pay covered
Anesthesia	25%	40%	Co-pay covered
Mental Health Services			
Inpatient Care	25%, Facility Services	40%, Facility Services	Co-pay covered
Outpatient Care	25%, Facility Services	40%, Facility Services	Co-pay covered
Other Services			
Durable Medical Equipment	25%	40%	Co-pay covered
Home Health Care	25%	40%	Co-pay covered
Hospice Care	No Charge	Not Covered	Co-pay covered
Nursing Facility - Skilled Care	25%, 120 days/CY	40%, 120 days/CY	Co-pay covered
Physical & Occupational Therapy	25%	40%	Co-pay covered
Notes:	* If you receive services from a nonparticipating (out-of-network) provider you are responsible for the copayment or coinsurance plus any difference between the actual charge and the eligible charge. **Deductible does not apply For prescription drug coverage, refer to the PPO plan on page 28		For the Royal State Supplemental Plan, reimbursement for prescription drug co-payments charges shall not exceed $20 per prescription drug (RX) up to $350 if enrolled in single coverage or $700 if enrolled in 2-party coverage and $1,000 if enrolled in family coverage per plan year. Reimbursement for prescription drugs co-payment count towards the Plan Year Maximum Benefit Payable.

EUTF ACTIVES

Medical Plan Coverage Chart (HMSA, Kaiser, RSN) – EUTF continued

Plan Design	HMO Comprehensive	HMO Standard	EUTF HMO
Carrier	Kaiser*	Kaiser*	HMSA
General			
Calendar Year Deductible Single/Family	None/None	None/None	None/None
Calendar Year Out-of-pocket limit Single/Family	\$2,000/\$6,000	\$2,500/\$7,500	\$1,500/\$3,000
Lifetime Benefit Maximum	None	None	None
Plan Year Benefit Maximum	None	None	None
Physician Services	**YOU PAY:**	**YOU PAY:**	**YOU PAY:**
Primary Care Office Visit	\$15	\$20	\$15
Specialist Office Visit	\$15	\$20	\$15
Routine Physical Exams	No Charge	No Charge	\$15
Screening Mammography	No Charge	No Charge	No Charge
Immunizations	No Charge	No Charge	No Charge
Well Baby Care Visits	No Charge	No Charge	No Charge
Maternity	No charge for routine prenatal visits and one postpartum visit	No charge for routine prenatal visits and one postpartum visit	No Charge, Routine Pre/Post Natal Care & Delivery
Second Opinion – Surgery	\$15	\$20	\$15
Emergency Services			
Emergency Room (ER care)	\$50	\$100	\$25
Ambulance	20%	20%	20%
Inpatient Hospital Services			
Room & Board	No Charge	15%	No Charge
Ancillary Services	No Charge	15%	No Charge
Physician Services	No Charge	15%	No Charge
Surgery	No Charge	15%	No Charge
Anesthesia	No Charge	15%	No Charge
Outpatient Services			
Chemotherapy/ Radiation Therapy	\$15	\$20 for chemotherapy; 20% for radiation therapy	\$15
Surgery	\$15	15%	\$15
Diagnostic Lab	\$15/department/ day	\$10/ department/ day for basic; 20% for specialty	No Charge
Diagnostic X-ray	\$15/department/ day	\$10/ department/ day for basic; 20% for specialty	\$15 per X-ray
Anesthesia	\$15	15%	\$15
Mental Health Services			
Inpatient Care	No Charge	15%	No Charge, Facility Services
Outpatient Care	\$15	\$20	No Charge, Facility Services
Other Services			
Durable Medical Equipment	20%	50%	20%
Home Health Care	No Charge	No Charge	No Charge
Hospice Care	No Charge	No Charge	No Charge
Nursing Facility - Skilled Care	No Charge, 100 days/benefit period	15%, 60 days/benefit period	No Charge, 100 days/CY
Physical & Occupational Therapy	\$15	\$20	\$15 (Outpatient)
Notes:	For prescription drug coverage, refer to the Kaiser HMO plan on page 29.		For prescription drug coverage, refer to the HMO plan on page 29.

*For Kaiser Members only:

1. Except for certain situations described in your *Group Medical and Hospital Service Agreement*, all claims, disputes, or causes of action arising out of or related to your *Group Medical and Hospital Service Agreement*, its performance or alleged breach, or the relationship or conduct of the parties, must be resolved by binding arbitration. For claims, disputes or cause of action subject to binding arbitration, all parties and family members give up the right to jury or court trial. For a complete description of arbitration information, please see your *Group Medical and Hospital Service Agreement*.
2. Members must reimburse Kaiser Permanente for care provided or paid for by Kaiser Permanente (from the proceeds of any settlement, judgment, or other payment the Member receives) if the care is for harm caused or alleged to be caused by a third party.

EUTF ACTIVES

PPO and HMO Prescription Drug Plans Coverage Chart (CVS/caremark & Kaiser) – EUTF

COVERAGE	PPO Prescription Drug Plan CVS/caremark*	
	Participating Pharmacy	Nonparticipating Pharmacy**
Calendar Year Maximum Out-of-Pocket Single/Family	90/10 and 80/20 PPO Plan: $4,350/$8,700*** 75/25 PPO Plan:$1,850/$3,700***	None
RETAIL PRESCRIPTION PROGRAM (30/60/90 day supply)		
Generic	$5/$10/$15 copayment	$5/$10/$15 + 20% of eligible charges
Preferred Brand Name	$25/$50/$75 copayment	$25/$50/$75 + 20% of eligible charges
Other Brand Name	$50/$100/$150 copayment	$50/$100/$150 + 20% of eligible charges
Injectables and Specialty Drug	20% of eligible charges; Up to $250 maximum; $2,000 out-of-pocket maximum per calendar year; $30 copay oral oncology specialty medications	Not a benefit
Insulin		
Preferred Insulin	$5/$10/$15 copayment	$5/$10/$15 + 20% of eligible charges
Other Insulin	$25/$50/$75 copayment	$25/$50/$75 + 20% of eligible charges
Diabetic Supplies		
Preferred Diabetic Supplies	No copayment	20% of eligible charges
Other Diabetic Supplies	$25/$50/$75 copayment	$25/$50/$75 copayment + 20% of eligible charges
RETAIL 90 PHARMACY & MAIL ORDER PRESCRIPTION PROGRAM (30/60/90 day supply)		
	Retail 90 or Mail Pharmacy	Non-Retail 90 Pharmacy
Generic	$5/$10/$10 copayment	$5/$10/$15 copayment
Preferred Brand Name	$25/$50/$50 copayment	$25/$50/$75 copayment
Other Brand Name	$50/$100/$100 copayment	$50/$100/$150 copayment
Insulin		
Preferred Insulin	$5/$10/$10 copayment	$5/$10/$15 copayment
Other Insulin	$25/$50/$50 copayment	$25/$50/$75 copayment
Diabetic Supplies		
Preferred Diabetic Supplies	No copayment	No copayment
Other Diabetic Supplies	$25/$50/$50 copayment	$25/$50/$75 copayment

For the Royal State Supplemental Plan, reimbursement for prescription drug co-payments charges shall not exceed $20 per prescription drug (RX) up to $350 if enrolled in single coverage, $700 if enrolled in 2-party coverage or $1,000 if enrolled in family coverage per policy year. Reimbursement for prescription drugs co-payment count towards the Plan Year Maximum Benefit Payable.

* This plan is the prescription drug coverage for the HMSA PPO medical options and is administered by CVS/caremark.

**If you receive services from a nonparticipating (out-of-network) pharmacy you are responsible for the copayment + coinsurance and any cost difference between the actual charge and the eligible charge.

***There is a prescription drug Maximum Out-of-Pocket (MOOP) limit of $4,350 per individual and $8,700 per family for the 90/10 PPO and 80/20 PPO plans and $1,850 per individual and $3,700 per family for the 75/25 PPO plan for the calendar year (1/1/16 – 12/31/16). Applicable copayments and caps for specialty medications apply and are counted towards the total annual out-of-pocket maximum for the 90/10 plan, the 80/20 plan, and the 75/25 plan.

The CVS/caremark prescription drug plan is bundled with the HMSA medical plan that you select. If you change from one HMSA medical plan to another during open enrollment your drug Maximum Out-of-Pocket (MOOP) may change on the effective date of your new plan selection. The new plan may have changes to the specialty drug cap, or a change to the prescription drug MOOP which may be of a higher or lower amount. All applicable drug copayments and co-insurance are accumulated on a calendar year basis towards an annual MOOP amount, and once the MOOP amount is met, you will no longer pay applicable copayments and coinsurance for the remainder of the calendar year while enrolled on that plan. If you change to a plan with a higher MOOP amount, you are responsible to meet the new MOOP level, but all prior applicable copayments and co-insurance paid towards one CVS/caremark plan can be credited towards the new MOOP amount for the new plan. If you change to a plan with a lower MOOP amount, there are no refunds for copayments or co-insurance that was paid towards the higher MOOP of the prior plan, that are over the amounts of the new MOOP for the new plan.

All copayments and co-insurance paid are applied prospectively to the applicable MOOP amount based upon the plan the member is enrolled at the time.

Please note: Maintenance medications must be filled in a 90-day supply. Medications prescribed for treatment that are not approved by the Federal Drug Administration are excluded from the plan.

EUTF ACTIVES

PPO and HMO Prescription Drug Plans Coverage Chart (CVS/caremark & Kaiser) – EUTF continued

COVERAGE	HMO Prescription Drug Plan		
	Kaiser Comprehensive	Kaiser Standard	CVS/caremark*
	Copayment up to	Copayment up to	In-Network
Calendar Year Maximum Out-of-Pocket Single/Family	Applies towards the medical out of pocket supplemental charge maximum	Applies towards the medical out of pocket supplemental charge maximum	$4,350/$8,700**
RETAIL PRESCRIPTION PROGRAM (30/60/90 day supply)			
Generic	$5/$10/$15 – tier 1 $10/$20/$30 – tier 2	$5/$10/$15 – tier 1 $15/$30/$45 – tier 2	$5/$10/$15 copayment
Preferred Brand Name	$35/$70/$105	$50/$100/$150	$25/$50/$75 copayment
Other Brand Name	$35/$70/$105	$50/$100/$150	$50/$100/$150 copayment
Injectables and Specialty Drug	$75/$150/$225	$75/$150/$225	20% of eligible charges; Up to $250 maximum; $2,000 out-of-pocket maximum per calendar year; $30 copay oral oncology specialty medications
Insulin			
Preferred Insulin	$35/$70/$105 – brand insulin	$50/$100/$150 – brand insulin	$5/$10/$15 copayment
Other Insulin	$10/$20/$30 – generic insulin	$15/$30/$45 – generic insulin	$25/$50/$75 copayment
Diabetic Supplies			
Preferred Diabetic Supplies	$35/$70/$105	50% of applicable charges	No copayment
Other Diabetic Supplies	$35/$70/$105	50% of applicable charges	$25/$50/$75 copayment
MAIL ORDER PRESCRIPTION PROGRAM (30/60/90 day supply)			
			Mail or Retail 90 Pharmacy
Generic	$5/$10/$10 – tier 1 $10/$20/$20 – tier 2	$5/$10/$10 tier 1; $15/$30/$30 – tier 2	$5/$10/$10 copayment
Preferred Brand Name	$35/$70/$70	$50/$100/$100	$25/$50/$50 copayment
Other Brand Name	$35/$70/$70	$50/$100/$100	$50/$100/$100 copayment
Insulin			
Preferred Insulin	Not Available through Mail Order	Not Available through Mail Order	$5/$10/$10 copayment
Other Insulin			$25/$50/$50 copayment
Diabetic Supplies			
Preferred Diabetic Supplies	$35/$70/$70	50% of applicable charges	No copayment
Other Diabetic Supplies	$35/$70/$70	50% of applicable charges	$25/$50/$50 copayment

For the Royal State Supplemental Plan, reimbursement for prescription drug co-payments charges shall not exceed $20 per prescription drug (RX) up to $350 if enrolled in single coverage, $700 if enrolled in 2-party coverage or $1,000 if enrolled in family coverage per policy year. Reimbursement for prescription drugs co-payment count towards the Plan Year Maximum Benefit Payable.

* This plan is the prescription drug coverage for the HMSA HMO medical options and is administered by CVS/caremark.

**There is a prescription drug Maximum Out-of-Pocket (MOOP) limit of $4,350 per individual and $8,700 per family for the EUTF HMSA HMO plan for the calendar year (1/1/16 – 12/31/16). Applicable copayments and caps for specialty medications apply and are counted towards the total annual drug out-of-pocket maximum for the EUTF HMSA HMO plan.

For a summary of out-of-network benefits for the CVS/caremark plan, please refer to table on page 28.

The CVS/caremark prescription drug plan is bundled with the HMSA medical plan that you select. If you change from one HMSA medical plan to another during open enrollment your drug Maximum Out-of-Pocket (MOOP) may change on the effective date of your new plan selection. The new plan may have changes to the specialty drug cap, or a change to the prescription drug MOOP which may be of a higher or lower amount. All applicable drug copayments and co-insurance are accumulated on a calendar year basis towards an annual MOOP amount, and once the MOOP amount is met, you will no longer pay applicable copayments and coinsurance for the remainder of the calendar year while enrolled on that plan. If you change to a plan with a higher MOOP amount, you are respons ble to meet the new MOOP level, but all prior applicable copayments and co-insurance paid towards one CVS/caremark plan can be credited towards the new MOOP amount for the new plan. If you change to a plan with a lower MOOP amount, there are no refunds for copayments or co-insurance that was paid towards the higher MOOP of the prior plan, that are over the amounts of the new MOOP for the new plan.

All copayments and co-insurance paid are applied prospectively to the applicable MOOP amount based upon the plan the member is enrolled at the time.

Please note: Maintenance medications must be filled as a 90-day supply. Medications prescribed for treatment that are not approved by the Federal Drug Administration are excluded from the plan.

ALL ACTIVES

Dental Plan Benefits Coverage Chart (Hawaii Dental Service [HDS]) – EUTF and HSTA VB

BENEFIT	PLAN COVERS
PLAN MAXIMUM per person per plan year (July 1 – June 30)	$2,000
DEDUCTIBLE per plan year (July 1 – June 30) (does not apply to benefits covered at 100%)	$50/person
DIAGNOSTIC	
Examinations - twice per calendar year	100%
Bitewing X-rays - twice per calendar year through age 14; once per calendar year thereafter	100%
Other X-rays (full mouth X-rays limited to once every 5 years)	100%
PREVENTIVE	
Cleanings – twice per calendar year	100%
• Diabetic Patients – four Cleanings or *Periodontal Maintenance	
• Expectant Mothers – three Cleanings or *Periodontal Maintenance	
*Periodontal Maintenance benefit level	*80%
Fluoride (twice per calendar year through age 19)	
For HSTA VB Members: Fluoride (once per calendar year through age 19)	100%
Fluoride – high risk patients of any age - once per calendar year	
Space maintainers (through age 17)	100%
Sealants (through age 18) – one treatment application, once per lifetime only to permanent molars with no cavities and no occlusal restorations, regardless of the number of surfaces sealed.	100%
RESTORATIVE	
Amalgam (silver-colored) fillings	80%
Composite (white-colored) fillings – limited to the anterior (front) teeth	80%
Crowns and gold restorations (once every 5 years when teeth cannot be restored with amalgam or composite fillings)	60%
Note: Composite (white) and porcelain (white) restorations on posterior (back) teeth will be processed as the alternate benefit of the metallic equivalent – the patient is responsible for the cost difference up to the amount charged by the dentist.	
ENDODONTICS	80%
Pulpal therapy	
Root canal treatment, retreatment, apexification, apicoectomy	
PERIODONTICS	80%
Periodontal scaling and root planing – once every two years	
Gingivectomy, flap curettage and osseous surgery – once every three years	
Periodontal Maintenance – twice per calendar year after qualifying periodontal treatment	
PROSTHODONTICS	60%
Fixed bridges (once every 5 years; ages 16 and older)	
Dentures (complete and partial – once every 5 years; ages 16 and older)	
Implants: Surgical placement of endosteal implant and abutment, once per tooth, every five years (ages 19 and older)	
For HSTA VB Members: Implants (covered as an alternate benefit) when one tooth is missing between two natural teeth. Once per tooth every 5 years (ages 16 and older).	
ORAL SURGERY	80%
ADJUNCTIVE GENERAL SERVICES	80%
Palliative treatment (for relief of pain but not to cure)	100%
ORTHODONTICS	50%
Maximum amount payable by HDS for an eligible patient shall be $1,000 lifetime per case paid in 8 quarterly payments of $125.	
Orthodontic services are not covered:	
*If services were started prior to the date the patient became eligible under this employer's plan.	
*If a patient's eligibility ends prior to the completion of the orthodontic treatment, payments will not continue.	
*If your employer elects to remove the orthodontic benefit, coverage will end on the last day of the month that the change occurred.	

Shaded areas indicate coverage after a Wait Period of 12 months of continuous enrollment in the plan.

Visiting a Non-Participating Dentist

If you choose to have services performed by a dentist who is not an HDS or Delta Dental participating dentist, you are responsible for the difference between the amount that the non-participating dentist actually charges and the amount paid by HDS in accordance with your plan. In most cases you will need to pay in full at the time of service. The non-participating dentist will render services and may provide you with the completed claim form (universal ADA claim form) to submit to HDS. Mail the completed claim form for processing to: HDS – Dental Claims, 700 Bishop Street, Suite 700, Honolulu, HI 96813-4196. HDS payment will be based on the HDS non-participating dentist fee schedule and a reimbursement check will be sent to you along with your Explanation of Benefit (EOB) report.

ALL ACTIVES

Vision Plan Benefits (Vision Service Plan [VSP]) – EUTF and HSTA VB

Your coverage from a VSP Doctor:

Exam covered in full .... every plan year*, after $10 Copay

Prescription Glasses

Lenses covered in full.......... every plan year*, after $25 Copay

- Single vision, lined bifocal and lined trifocal lenses
- UV coating is covered
- Polycarbonate lenses covered for dependent children up to age 18

Frame.................................. every other plan year*

- $120 allowance, plus 20% off any out-of-pocket costs
- OR $65 allowance at COSTCO (no additional discounts)

~Instead of Glasses~

Contact Lenses .... every plan year*

- $120 allowance (applies to cost of contacts and fitting & evaluation)

****plan year is July 1st – June 30th***

Extra Discounts and Savings

Glasses & Sunglasses

- Average 35-40% savings on all non-covered lens options (such as tints, progressive lenses, anti-scratch coatings, etc.)
- 30% off additional glasses & sunglasses, including lens options, from the same VSP doctor on the same day as your Exam. OR get 20% off from any VSP doctor within 12 months of your last Exam.

Contact Lenses

15% off cost of contact lens exam (fitting & evaluation)
VSP has partnered with leading contact lens manufacturers to provide VSP members exclusive offers. Check out www.vsp.com for details.

Laser Vision Correction

- Average 15% off the regular price or 5% off the promotional price. Discounts only available from contracted facilities.
- After surgery, use your frame allowance (if eligible) for sunglasses from any VSP doctor.

You get the best value from your VSP benefit when you visit a VSP doctor. If you see a non-VSP provider, you'll typically pay more out-of-pocket. You'll pay the provider in full and have 12 months to submit a claim to VSP for partial reimbursement, less copays according to the following schedule:

Out-of-Network Reimbursement Amounts

Exam.................................. Up to $45.00
Single Vision Lenses .... Up to $45.00
Lined Bifocal Lenses .... Up to $65.00
Lined Trifocal Lenses .... Up to $85.00
Frame................................. Up to $47.00
Contacts............................. Up to $105.00

Before seeing an out-of-network provider, call VSP at 1-800-877-7195, or go on-line at www.vsp.com to search for a VSP doctor near you!

ALL ACTIVES

Chiropractic Plan Benefits (Royal State National [RSN]) – EUTF and HSTA VB

Royal State National Insurance Company, Ltd., through ChiroPlan Hawaii, Inc., is the provider of the chiropractic benefits. The chiropractic benefit is packaged with all active employee medical plans, including the Royal State National Supplemental Plan.

The plan benefits include the initial exam, any necessary x-rays (when taken in a ChiroPlan provider's office), therapeutically necessary chiropractic treatment and therapeutic modalities. For EUTF, the co-payment is $15 per visit up to 20 visits per calendar year. For HSTA VB, the co-payment is $12 per visit up to 20 visits per calendar year. Chiropractic services must be received by a credentialed ChiroPlan Provider. A complete list of ChiroPlan doctors and plan information may be obtained from the EUTF website at eutf.hawaii.gov. Please refer to the plan certificate for complete information on benefits, limitations and exclusions.

Life Insurance (USAble Life) – EUTF and HSTA VB

Your life insurance benefit will be $41,116, for active employees.

- Your benefit will be reduced once you reach age 65 and continue to be reduced as follows:
  - $26,725 for participants age 65 through 69
  - $18,502 for participants age 70 through 74
  - $12,335 for participants age 75 through 79
  - $8,223 for participants age 80 and over

In addition, your life insurance includes the following added benefits:

- Conversion – If your life insurance ceases because of termination of employment or is reduced due to age or retirement, you may convert to an individual whole life insurance policy within the first 30 days after termination. You do not need to provide evidence of good health.
- Portability - this provision allows a terminated participant to continue their life insurance at a group discounted rate instead of an individual rate, provided they meet the eligibility requirements.
- Accelerated Benefit – allows you to receive an early payment of a portion of your life insurance if you have a Qualified Medical Condition and meet certain requirements.
- Repatriation of Remains Benefit – this benefit reimburses an individual who incurs expenses related to transporting your remains back to a mortuary near your primary place of residence if you pass away 200 miles or more away from home.

Contact USAble Life at (808) 538-8920 or toll free at 1-855-207-2021 if you would like to change your beneficiary. You may download the beneficiary designation form from the USAble Life website at https://www.usablelife.com/portal/eutf.

Premiums

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
ACTIVE EMPLOYEES
BU's 00, 01, 02, 03, 04, 05, 06, 08, 09, 10, 11, 13, 14

EFFECTIVE JULY 1, 2016

BU'S 00, 01, 02, 03, 04, 06, 08, 09, 10, 11, 13, 14: FOR ALL EMPLOYERS EXCEPT COUNTY OF MAUI

BU 05: FOR HAWAII PUBLIC CHARTER SCHOOLS, STATE OF HAWAII HSTA VEBA EMPLOYEES WHO OPTED TO TRANSFER TO EUTF PLANS or BU 05 EMPLOYEES HIRED ON OR AFTER JANUARY 1, 2011

Benefit Plan	Type of Enrollment	Semi-Monthly Employee Contribution	Monthly Employee Contribution	Monthly Employer Contribution	Percent Employer	Total
MEDICAL PLANS						
PPO - 90/10 Plan - HMSA Medical	Self	$155.92	$311.84	$307.06	49.6%	$618.90
Prescription Drug - CVS Caremark	Two-Party	$384.98	$769.96	$731.96	48.7%	$1,501.92
RSN Chiropractic	Family	$483.77	$967.54	$946.90	49.5%	$1,914.44
PPO - 80/20 Plan - HMSA Medical	Self	$107.27	$214.54	$307.06	58.9%	$521.60
Prescription Drug - CVS Caremark	Two-Party	$266.90	$533.80	$731.96	57.8%	$1,265.76
RSN Chiropractic	Family	$333.22	$666.44	$946.90	58.7%	$1,613.34
PPO - 75/25 Plan - HMSA Medical	Self	$71.08	$142.16	$307.06	68.4%	$449.22
Prescription Drug - CVS Caremark	Two-Party	$179.05	$358.10	$731.96	67.1%	$1,090.06
RSN Chiropractic	Family	$221.19	$442.38	$946.90	68.2%	$1,389.28
HMSA HMO	Self	$193.57	$387.14	$307.06	44.2%	$694.20
Prescription Drug - CVS Caremark	Two-Party	$476.44	$952.88	$731.96	43.4%	$1,684.84
RSN Chiropractic	Family	$600.43	$1,200.86	$946.90	44.1%	$2,147.76
HMO - Kaiser Comprehensive Medical	Self	$105.62	$211.24	$307.06	59.2%	$518.30
Kaiser Prescription Drug	Two-Party	$265.20	$530.40	$731.96	58.0%	$1,262.36
RSN Chiropractic	Family	$331.78	$663.56	$946.90	58.8%	$1,610.46
HMO - Kaiser Standard Medical	Self	$33.24	$66.48	$307.06	82.2%	$373.54
Kaiser Prescription Drug	Two-Party	$89.17	$178.34	$731.96	80.4%	$910.30
RSN Chiropractic	Family	$107.21	$214.42	$946.90	81.5%	$1,161.32
Supplemental - Royal State National	Self	$8.51	$17.02	$25.52	60.0%	$42.54
Supplemental Prescription Drug	Two-Party	$21.13	$42.26	$63.40	60.0%	$105.66
RSN Chiropractic	Family	$23.49	$46.98	$70.48	60.0%	$117.46
DENTAL PLAN						
	Self	$6.27	$12.54	$18.82	60.0%	$31.36
HDS Dental	Two-Party	$12.55	$25.10	$37.62	60.0%	$62.72
	Family	$20.63	$41.26	$61.88	60.0%	$103.14
VISION PLAN						
	Self	$1.30	$2.60	$3.90	60.0%	$6.50
VSP Vision	Two-Party	$2.41	$4.82	$7.20	59.9%	$12.02
	Family	$3.14	$6.28	$9.42	60.0%	$15.70
LIFE INSURANCE						
USAble Life Insurance	Employee	$0.00	$0.00	$4.12	100.0%	$4.12

ACTIVE EMPLOYEES – BENEFIT PLAN OFFERINGS
HAWAII ELECTRIC LIGHT VS. EUTF

Plan Type	HAWAII ELECTRIC LIGHT	EUTF
PPO, Prescription Drug	HMSA PPO 80/20 (COMPMED) Plan, HMSA Prescription Drug	HMSA PPO 80/20 Plan, CVS/Caremark Prescription Drug, Chiropractic
		HMSA PPO 90/10 Plan, CVS/Caremark, Chiropractic
		HMSA PPO 75/25 Plan, CVS Caremark, Chiropractic
HMO, Prescription Drug	HMSA HMO (HPH) Plan, HMSA Prescription Drug	HMSA HMO Plan, CVS Caremark, Chiropractic
	Kaiser HMO Plan, Kaiser Prescription Drug	Kaiser HMO (Standard) Plan, Kaiser Prescription Drug, Chiropractic
		Kaiser HMO (Comprehensive) Plan, Prescription Drug, Chiropractic
Supplemental Plan		Royal State Supplemental*

Hawaii Electric Light plans are aligned with the corresponding EUTF plan which is comparable

Hawaii Electric Light does not offer Chiropractic Coverage; EUTF packages chiropractic coverage with medical and prescription drug plan offerings

*EUTF offers a Supplemental Plan (Copayment Plan) with Royal State: If an EUTF employee has medical coverage elsewhere, he/she can elect the supplemental plan: Covered medical expenses that are not covered by the other primary medical plan such as that plan's copays or coinsurance are paid under this plan. Covered expenses include copays for prescription drugs so there is not a separate drug plan offered with the supplement plan. Reimbursement for prescription drug cop-payments charges shall not exceed $20 per prescription drug up to $350 (single), $700 (2-party) and $1,000 (family)

<u>Source</u>: *Hawaii Employer-Union Health Benefits Trust Fund Reference Guide (EUTF and HSTA VB) for Active Employee Benefit Plans Effective July 1, 2016 through June 30, 2017*

This is only a summary and is subject to change at any time. Please refer to official carrier description of benefits for details.

Medical Plan Provisions	Hawaiian Electric 80/20 PLAN (HMSA)		EUTF 80/20 PPO PLAN (HMSA)		EUTF 75/25 PPO PLAN (HMSA)		EUTF 90/10 PPO PLAN (HMSA)	
	YOUR COPAYMENT/COINSURANCE		YOUR COPAYMENT/COINSURANCE		YOUR COPAYMENT/COINSURANCE		YOUR COPAYMENT/COINSURANCE	
	Participating Providers	Nonparticipating Providers	Participating Providers	Nonparticipating Providers	Participating Providers	Nonparticipating Providers	Participating Providers	Nonparticipating Providers
Annual Deductible	$100 per person; Maximum: $300 per family		None	$250 per person; Max.: $750 per	$300 per person / $900 per family		None	$100 per person; Max.: $300 per
Annual Copayment Maximum	$3,000 per person; Maximum: $9,000 per family		$2,500 per person; Maximum: $5,000 per family		$5,000 per person; Maximum: $10,000 per family		$2,000 per person; Maximum: $4,000 per family	
Lifetime Maximum	Unlimited		Unlimited		None		Unlimited	
PHYSICIAN SERVICES								
Office Visits	$14 + tax	$14 + tax	20%	40%*	25%	40%*	10%	30%*
Hospital Visits	$20 + tax	$20 + tax	20%	40%*	25%	40%*	10%	30%*
HOSPITAL AND FACILITY SERVICES				40%*				
Hospital Room & Board; semiprivate rm rate	20%	20%*	20%	40%*	25%*	40%*	10%	30%*
Hospital Ancillary	20%	20%*	20%	40%*	25%*	40%*	10%	30%*
Intensive/Coronary Care Units	20%	20%*	20%	40%*	25%*	40%*	10%	30%*
Emergency Room	$100 + tax	$100 + tax	20%	20%	25%*	25%*	10%	10%
SURGICAL SERVICES								
Surgical Procedures	20%	20%*	20%	40%*	25%*	40%*	10%	30%*
Anesthesia	20%	20%*	20%	40%*	25%*	40%*	10%	30%*
LABORATORY AND RADIOLOGY								
Diagnostic Testing	20%	20%*	10%	30%*	No Charge	No Charge	10%	30%*
Laboratory and Pathology	20% (inpatient) None (outpatient)	20% (inpatient) None (outpatient)	20%	40%*	25%*	40%*	10%	30%*
X-Ray and Other Radiology	20%	20%*	20%	40%*	25%*	40%*	10%	30%*
MENTAL HEALTH SERVICES								
Hospital / Facility Services	20%*	20%*	20%, Facility Services	40%*, Facility Services	25%*, Facility Services	40%*, Facility Services	10%	30%*
Physician Visits	$14 + tax (otpt)	$14 + tax (otpt)	20%, Facility Services	40%*, Facility Services	25%*, Facility Services	40%*, Facility Services	10%	30%*
OTHER MEDICAL SERVICES								
Ambulance (air & ground)	20%*	20%*	20%	40%*	25%*	40%*	10%	30%*
Medical Equipment, Appliances, Supplies	20%*	20%*	20%	40%*	25%*	40%*	10%	30%*
Well Child Care Immunizations	None	None	None	None	None	None	None	None
Well Child Care Physician Office Visits	None	None	None	40%	None	40%	None	30%
Mammography (screening)	None	None	None	40%	None	40%	None	30%
Maternity Care	Regular Plan Benefits		Regular Plan Benefits		25%*	40%*	Regular Plan Benefits	
PHYSICAL EXAMS	Not covered	Not covered	None	None	None	No Charge	None	None
SKILLED NURSING FACILITY	20%*,120 days/CY	20%*,120 days/CY	20%, 120 days/CY	40%*, 120 Days/CY	25%*,120 days/CY	40%*,120 days/CY	10%, 120 days/CY	30%*, 120 Days/CY
HOSPICE CARE	None	None	None	Not covered	None	Not covered	None	Not covered
HOME HEALTH CARE	20%*	20%*	20%	40%*	25%*	40%*	None	30%*
	Note: Asterisk *: annual deductible applies		Note: Asterisk *: annual deductible applies		Note: Asterisk *: annual deductible applies		Note: Asterisk *: annual deductible applies	
Prescription Drugs	PRESCRIPTION DRUG PLAN (HMSA)		PRESCRIPTION DRUG PLAN (CAREMARK)		PRESCRIPTION DRUG PLAN (CAREMARK)		PRESCRIPTION DRUG PLAN (CAREMARK)	
	YOUR COPAYMENT (30-day supply)		YOUR COPAYMENT (30/60/90 day		YOUR COPAYMENT (30/60/90 day supply)		YOUR COPAYMENT (30/60/90 day	
	Participating Providers		Participating Providers		Participating Providers		Participating Providers	
CALENDAR YEAR OUT-OF-POCKET LIMIT	$3,600 per person/$4,200 per family		$4,350 per person/$8,700 per family		$1,850 per person/$3,700 per family		$4,350 per person/$8,700 per family	
GENERIC	$12		$5/$10/$15		$5/$10/$15		$5/$10/$15	
PREFERRED BRAND NAME	$24		$25/$50/$75		$25/$50/$75		$25/$50/$75	
OTHER BRAND NAME	$24 (cost <$80); 30% (cost > $80)		$50/$100/$150		$50/$100/$150		$50/$100/$150	
INSULIN								
Preferred Insulin	$12		$5/$10/$15		$5/$10/$15		$5/$10/$15	
Other Insulin	$24		$25/$50/$75		$25/$50/$75		$25/$50/$75	
DIABETIC SUPPLIES								

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This is only a summary and is subject to change at any time. Please refer to official carrier description of benefits for details.

	80/20 PLAN (HMSA)		80/20 PPO PLAN (HMSA)		75/25 PPO PLAN (HMSA)		90/10 PPO PLAN (HMSA)	
	YOUR COPAYMENT/COINSURANCE		YOUR COPAYMENT/COINSURANCE		YOUR COPAYMENT/COINSURANCE		YOUR COPAYMENT/COINSURANCE	
	Participating Providers	Nonparticipating Providers	Participating Providers	Nonparticipating Providers	Participating Providers	Nonparticipating Providers	Participating Providers	Nonparticipating Providers
Preferred Diabetic Supplies	None		None		None		None	
Other Diabetic Supplies	$24		$25/$50/$75		$25/$50/$75		$25/$50/$75	
MAIL SERVICE PRESCRIPTION PROGRAM (90-day supply) and 90-Day at Retail)								
Generic	$24		$5/$10/$10		$5/$10/$10		$5/$10/$10	
Preferred Brand Name	$48		$25/$50/$50		$25/$50/$50		$25/$50/$50	
Other Brand Name	$48 (cost <$160); 30% (cost >$160)		$50/$100/$100		$50/$100/$100		$50/$100/$100	
INSULIN								
Preferred Insulin	$24		$5/$10/$10		$5/$10/$10		$5/$10/$10	
Other Insulin	$48		$25/$50/$50		$25/$50/$50		$25/$50/$50	
DIABETIC SUPPLIES								
Preferred Diabetic Supplies	None		None		None		None	
Other Diabetic Supplies	$48		$25/$50/$50		$25/$50/$50		$25/$50/$50	

This is only a summary and is subject to change at any time. Please refer to official carrier description of benefits for details.

Medical Plan Provisions	**Hawaiian Electric** HMO PLAN (HMSA)	**EUTF** HMO PLAN (HMSA)
	YOUR COPAYMENT/COINSURANCE	**YOUR COPAYMENT/COINSURANCE**
	HMO Network Providers	HMO Network Providers
Annual Deductible	None	None
Annual Copayment Maximum	$2,500 per person; Maximum $7,500 per family	$1,500 per person; Maximum $3,000 per family
Lifetime Maximum	Unlimited	Unlimited
PHYSICIAN SERVICES		
Office Visits	$20	$15
Hospital Visits	None	$15
HOSPITAL AND FACILITY SERVICES		
Hospital Room & Board; semiprivate rm rate	$75 per day	None
Hospital Ancillary	None	None
Intensive/Coronary Care Units	None	None
Emergency Room	$25	$25
SURGICAL SERVICES		
Surgical Procedures	$20 (oupatient professional charge) None (hospital operating room) None (inpatient professional charge)	$15 (outpatient services) None (inpatient services)
Anesthesia	$20 (office visit) None (hospital outpatient) None (inpatient professional charges	$15 (outpatient services) None (inpatient services)
LABORATORY AND RADIOLOGY		
Laboratory and Pathology	$20/visit (outpatient) None (hospital inpatient)	None
X-Ray and Other Radiology	$20/visit (outpatient) None (hospital inpatient)	$15 per x-ray
MENTAL HEALTH SERVICES		
Hospital / Facility Services	Hospital; None (hospital inpatient) Hospital Facility: $75 per day (inpatient)	None
Physician Visits	$20 (office visits)	$15
OTHER MEDICAL SERVICES		
Ambulance (air & ground)	None	20%
Medical Equipment, Appliances,Supplies	20%	20%
Well Child Care Immunizations	None	None
Well Child Care Physician Office Visits	None	None
Mammography (screening)	None	None
Maternity Care	Regular Plan Benefits	None
PHYSICAL EXAMS	None	$15
SKILLED NURSING FACILITY	None, 100 days/CY	None, 100 days/CY
HOSPICE CARE	None	None
HOME HEALTH CARE	None	None
Prescription Drugs	**PRESCRIPTION DRUG PLAN (HMSA)**	**PRESCRIPTION DRUG PLAN (CAREMARK)**
	YOUR COPAYMENT (30-day supply)	**YOUR COPAYMENT (30/60/90 day supply)**
	Participating Providers	Participating Providers
CALENDAR YEAR OF OUT-OF-POCKET LIMIT	$3,600 per person/$4,200 per family	$4,350 per person/$8,700 per family
GENERIC	$12	$5/$10/$15
PREFERRED BRAND NAME	$24	$25/$50/$75
OTHER BRAND NAME	$24 (cost <$80); 30% (cost > $80)	$50/$100/$150
INSULIN		
Preferred Insulin	$12	$5/$10/$15
Other Insulin	$24	$25/$50/$75
DIABETIC SUPPLIES		
Preferred Diabetic Supplies	None	None
Other Diabetic Supplies	$24	$25/$50/$75
MAIL SERVICE PRESCRIPTION PROGRAM (90-day supply) and 90-day at Retail		
Generic	$24	$5/$10/$10
Preferred Brand Name	$48	$25/$50/$50
Other Brand Name	$48 (cost <$160); 30% (cost >$160)	$50/$100/$100
INSULIN		
Preferred Insulin	$24	$5/$10/$10
Other Insulin	$48	$25/$50/$50
DIABETIC SUPPLIES		
Preferred Diabetic Supplies	None	None
Other Diabetic Supplies	$48	$25/$50/$50

Source: Hawaii Employer-Union Health Benefits Trust Fund Reference Guide (EUTF and HSTA VB) for Active Employee Benefit Plans Effective July 1, 2016 through June 30, 2017

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Medical Plan Provisions	Hawaiian Electric HMO PLAN (KAISER)	EUTF STANDARD HMO PLAN (KAISER)	EUTF COMPREHENSIVE HMO PLAN (KAISER)
	YOUR COPAYMENT/COINSURANCE	YOUR COPAYMENT/COINSURANCE	YOUR COPAYMENT/COINSURANCE
	HMO Network Providers	HMO Network Providers	HMO Network Providers
Annual Deductible	None	None	None
Annual Copayment Maximum	$2,500 per person; Maximum $7,500 per family	$2,500 per person; Maximum $7,500 per family	$2,000 per person; Maximum $6,000 per family
Lifetime Maximum	Unlimited	Unlimited	Unlimited
PHYSICIAN SERVICES			
Office Visits	$20	$20	$15
Hospital Visits	None	15%	None
HOSPITAL AND FACILITY SERVICES			
Hospital Room & Board; semiprivate rm rate	$75 per admission	15%	None
Hospital Ancillary	None (Included in hosp. care copay)	15%	None
Intensive/Coronary Care Units	None (Included in hosp. care copay)	15%	None
Emergency Room	$25 (in-service area) $25 (out-of-service area), copays waived if admitted inpatient	$100	$50
SURGICAL SERVICES			
Surgical Procedures	$20 (outpatient) None (Inpat. incl. in hosp.care copay)	15%	$15 (outpatient services) None (inpatient services)
Anesthesia	None	15%	None
LABORATORY AND RADIOLOGY			
Laboratory and Pathology	$20 per dept. per day (outpatient); none (inpatient)	$10/dept/day; 20% for specialty	$15 per dept. per day (outpatient); none (inpatient)
X-Ray and Other Radiology	$20 per dept. per day (outpatient); none (inpatient)	$10/dept/day; 20% for specialty	$15 per dept. per day (outpatient); none (inpatient)
MENTAL HEALTH SERVICES			
Hospital / Facility Services	$75 per day (hospital/inpatient)	$20 (outpatient) 15% (inpatient)	$15 (outpatient) None (inpatient)
Physician Visits	$20 (office visits);Inpatient incl. in hosp. care copay	$20 (office visits)	$15
OTHER MEDICAL SERVICES			
Ambulance (air & ground)	20%	20%	20%
Well Child Care Immunizations	None	None	None
Well Child Care Physician Office Visits	None	None	None
Mammography (screening)	None	None	None
Maternity Care	None (pre and post-natal visits); $75 per admission (inpatient)	None (routine prenatal visits, one post-partum visit)	None (routine prenatal visits, one post-partum visit)
PHYSICAL EXAMS	None	None	None
SKILLED NURSING FACILITY	None, 60 days/CY	15%, 60 days/benefit period	None, 100 days/benefit period
HOSPICE CARE	None	None	None
HOME HEALTH CARE	None	None	None
DURABLE MEDICAL EQUIPMENT	20%; 50% for Diabetes equipment	50%	20%
Prescription Drugs	PRESCRIPTION DRUG PLAN (KAISER)	PRESCRIPTION DRUG PLAN (KAISER)	PRESCRIPTION DRUG PLAN (KAISER)
	YOUR COPAYMENT (30-day supply)	YOUR COPAYMENT (30/60/90 day supply)	YOUR COPAYMENT (30/60/90 day supply)
	Participating Providers	Participating Providers	Participating Providers
CALENDAR YEAR OUT OF POCKET	Applies to medical out of pocket maximum	Applies to medical out of pocket maximum	Applies to medical out of pocket maximum
GENERIC	$14	$5/$10/$15 (maint); $15/$30/$45 (other)	$5/$10/$15 (maint); $10/$20/$30 (other)
PREFERRED BRAND NAME	$14	$50/$100/$150	$35/$70/$105
OTHER BRAND NAME	$14	$50/$100/$150	$35/$70/$105
INSULIN			
Preferred Insulin	$14	$50/$100/$150 brand insulin	$35/$70/$105 brand insulin
Other Insulin	$14	$15/$30/$45 generic insulin	$10/$20/$30 generic insulin
DIABETIC SUPPLIES			
Preferred Diabetic Supplies	50%	50% of applicable charges	$35/$70/$105
Other Diabetic Supplies	50%	50% of applicable charges	$35/$70/$105
MAIL SERVICE PRESCRIPTION PROGRAM (90-day supply)			
Generic	2 copayments / 90-day supply	$5/$10/$10 (maint); $15/$30/$30 (other)	$5/$10/$10 (maint); $15/$20/$20 (other)
Preferred Brand Name	2 copayments / 90-day supply	$50/$100/$100	$35/$70/$70
Other Brand Name	2 copayments / 90-day supply	$50/$100/$100	$35/$70/$70
INSULIN			
Preferred Insulin	2 copayments / 90-day supply	Not available through mail order	Not available through mail order
Other Insulin	2 copayments / 90-day supply	Not available through mail order	Not available through mail order
DIABETIC SUPPLIES			
Preferred Diabetic Supplies	2 copayments / 90-day supply	50% of applicable charges	$35/$70/$70
Other Diabetic Supplies	2 copayments / 90-day supply	50% of applicable charges	$35/$70/$70

Source: Hawaii Employer-Union Health Benefits Trust Fund Reference Guide (EUTF and HSTA VB) for Active Employee Benefit Plans
Effective July 1, 2016 through June 30, 2017

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Dental Plan Provisions	**Hawaiian Electric** DENTAL PLAN (HDS)	**EUTF** DENTAL PLAN (HDS)	**EUTF** DENTAL PLAN - SUPPLEMENTAL (HDS)
	YOUR COPAYMENT	YOUR COPAYMENT	YOUR COPAYMENT
	Participating Providers	Participating Providers	Participating Providers
ANNUAL PLAN MAXIMUM	None	$2,000/Person, Plan Year	$750/Person, Plan Year
ANNUAL DEDUCTIBLE	None	$50/person (does not apply to benefits cov'd at 100%)	None
WAITING PERIOD	None	12 mos. (Prosthodontics/Crowns/Gold Restorations/Implants)	None
DIAGNOSTIC			
Exams	None (1x/cal yr)	None (2x/cal yr)	50% (2x/cal yr)
Bitewing X-rays	None (< Age 15-2x/cal yr; >= Age 15-1x/cal yr)	None (< Age 15-2x/cal yr; >= Age 15-1x/cal yr)	50% (< Age 15-2x/cal yr; >= Age 15-1x/cal yr)
Other X-rays	None (Full Mouth-1x/5 yrs)	None (Full Mouth-1x/5 yrs)	50% (Full Mouth-1x/5 yrs)
PREVENTIVE			
Cleanings	None (2x/cal yr)	None (2x/cal yr)	50% (2x/cal yr)
Cleanings/Perio Maint* (Pregnant pts)	None (3x/cal yr)	None (3x/cal yr)	50% (3x/cal yr)
Cleanings/Perio Maint* (Diabetic pts)	None (4x/cal yr)	None (4x/cal yr)	50% (4x/cal yr)
* Perio Maint benefit level	30%	20%	55%
Fluoride	30% (1x/cal yr, thru age 17)	None (1x/cal yr, thru age 19)	50% (1x/cal yr, thru age 19)
Fluoride-High Risk	30% (1x/cal yr)	None (1x/cal yr)	50% (1x/cal yr)
Space Maintainers	30% (thru age 17)	None (thru age 17)	50% (thru age 17)
Sealants	30% (thru age 18)	None (thru age 18, once per lifetime)	50% (thru age 18, once per lifetime)
RESTORATIVE			
Routine Restorative	30%	20%	55%
Crowns & Gold Restorations	30%	40%	55%
ENDODONTICS, PERIODONTICS	30%	20%	55%
PROSTHODONTICS	30%	40%	55%
ORAL SURGERY	30%	20%	50%
IMPLANTS	Not Covered	40%	50%
ADJUNCTIVE GENERAL SERVICES			
Adjunctive Services	30%	20%	55%
Palliative Treatment	None	None	50%
ORTHODONTICS	40% (lifetime max. $500, dependents only)	50% (lifetime max. $1,000)	None (lifetime max. $750)

Vision Plan Provisions	**HECO** VISION PLAN (VSP)	**EUTF** VISION PLAN (VSP)
	YOUR COPAYMENT	YOUR COPAYMENT
	Participating Providers	Participating Providers
EYE EXAM	$10 copay	$10 copay (1x every plan year*)
LENSES	$10 copay	$25 copay (1x every plan year*)
FRAMES	Plan pays up to $95	$120 allowance, plus 20% off any out-of-pocket costs OR, $65 allowance at COSTCO (no additional discounts) (1x every other plan year*)
CONTACT LENSES *(instead of glasses)*	Plan pays up to $125 for eye exam, contacts, fitting/evaluation (1x every other cal yr)	$120 allowance for contacts and fitting/evaluation (1x every cal yr)
OUT-OF-NETWORK REIMBURSEMENTS	Lower reimbrusements	Varies by item/service

Source : Hawaii Employer-Union Health Benefits Trust Fund Reference Guide (EUTF and HSTA VB) for Active Employee Benefit Plans

**Plan year is July 1st - June 30th*

Effective July 1, 2016 through June 30, 2017

ALL ACTIVES

Chiropractic Plan Benefits (Royal State National [RSN]) – EUTF and HSTA VB

Royal State National Insurance Company, Ltd., through ChiroPlan Hawaii, Inc., is the provider of the chiropractic benefits. The chiropractic benefit is packaged with all active employee medical plans, including the Royal State National Supplemental Plan.

The plan benefits include the initial exam, any necessary x-rays (when taken in a ChiroPlan provider's office), therapeutically necessary chiropractic treatment and therapeutic modalities. For EUTF, the co-payment is $15 per visit up to 20 visits per calendar year. For HSTA VB, the co-payment is $12 per visit up to 20 visits per calendar year. Chiropractic services must be received by a credentialed ChiroPlan Provider. A complete list of ChiroPlan doctors and plan information may be obtained from the EUTF website at eutf.hawaii.gov. Please refer to the plan certificate for complete information on benefits, limitations and exclusions.

Life Insurance (USAble Life) – EUTF and HSTA VB

Your life insurance benefit will be $41,116, for active employees.

- Your benefit will be reduced once you reach age 65 and continue to be reduced as follows:
    - $26,725 for participants age 65 through 69
    - $18,502 for participants age 70 through 74
    - $12,335 for participants age 75 through 79
    - $8,223 for participants age 80 and over

In addition, your life insurance includes the following added benefits:

- Conversion – If your life insurance ceases because of termination of employment or is reduced due to age or retirement, you may convert to an individual whole life insurance policy within the first 30 days after termination. You do not need to provide evidence of good health.
- Portability - this provision allows a terminated participant to continue their life insurance at a group discounted rate instead of an individual rate, provided they meet the eligibility requirements.
- Accelerated Benefit – allows you to receive an early payment of a portion of your life insurance if you have a Qualified Medical Condition and meet certain requirements.
- Repatriation of Remains Benefit – this benefit reimburses an individual who incurs expenses related to transporting your remains back to a mortuary near your primary place of residence if you pass away 200 miles or more away from home.

Contact USAble Life at (808) 538-8920 or toll free at 1-855-207-2021 if you would like to change your beneficiary. You may download the beneficiary designation form from the USAble Life website at https://www.usablelife.com/portal/eutf.

HAWAIIAN ELECTRIC COMPANY
Life and Disability Market Study
January 1, 2015

HECO's Basic Life, Retiree Life, Supplemental Life, Supplemental Dependent Life, Voluntary AD&D, and LTD policies are currently administered by Cigna (all Life/AD&D) and MetLife (LTD) and are scheduled to renew January 1, 2015. The Life and AD&D rates have remained stable for the last five years; the LTD rates decreased in 2011 and have remained the same since. HECO has enjoyed a long-standing relationship with both carriers in terms of satisfactory levels of service.

The current rates are as follows, which produces an estimated combined annualized premium of $1,832,000 for the following employer-paid coverages:

Basic Life	$0.15 per $1,000 of coverage
Retiree Life	$2.17 per $1,000 of coverage (HEI, HECO, HELCO, MECO)
	$0.23 per $1,000 of coverage (HTB, YB)
LTD (Merit)	$0.27 per $100 of covered payroll
LTD (BU)	$0.21 per $100 of covered payroll

Employee-paid coverages:

Supplemental Life	Age-banded
Supp Dependent Life	$1.78 (Option 1)
	$4.70 (Option 2)
Voluntary AD&D	$0.03 per $1,000 of coverage (employee only)
	$0.05 per $1,000 of coverage (family)

With all policies expiring at the end of December, the intent of the market study is to identify the most competitive carrier proposal from a cost and benefits perspective, and to explore if there are administrative efficiencies through consolidation under one carrier. The study is also in compliance with HECO's due diligence process to ensure the competitiveness of existing policies.

HECO requested the market study be limited to a select group of carriers to streamline the process due to a very tight timeframe. In February, Servco invited 15 carriers to respond to a short survey to identify viable contenders *(Exhibit 1)*. The survey consisted of four key questions that assessed the carrier's financial strength/stability, current utility company book size, and the average length of those contracts.

Of the 15, we received nine (9) responses; although Cigna did not respond, we included them since they are an incumbent carrier.

CARRIER	RESPONSE
Aetna	No
Cigna (incumbent – Life, AD&D, LTD)	No
Guardian	No
Hartford	No
Liberty Mutual	Yes
Lincoln Financial	Yes
MetLife (incumbent – LTD)	Yes
Pacific Guardian Life	Yes

CARRIER	RESPONSE
Prudential	Yes
Reliance Standard	No
Standard	Yes
Sun Life	Yes
Symetra	No
Unum	Yes
USAble	Yes

All responding carriers were viable contenders due to their qualified survey answers. However, subsequent challenges with gathering census information required the market study to be limited even further, to the two incumbent carriers only.

The Request for Proposal (RFP) included the following main specifications *(Exhibit 2)*:

1. Except where indicated, duplicate existing coverage. Any other deviations must be disclosed and identified per line of coverage; otherwise, it is important that current benefits/provisions are replicated.
2. Minimum 3-year rate guarantee for all lines of coverage
3. Duplicate existing commissions for all lines of coverage
4. Confirm if all quoted lines of coverage are contingent upon acceptance of all proposals (packaged), or if each line of coverage can be sold on a stand-alone basis.

Both carriers submitted very competitive all-inclusive proposals. Below is a summary of the employer-paid coverages:

Current rates	Basic Life (per $1000 of coverage)	Retiree Life HEI, HECO, HELCO, MECO (per $1000 of coverage)	Retiree Life YB, HTB (per $1000 of coverage)	LTD - NBU (per $100 of covered payroll)	LTD - BU (per $100 of covered payroll)	Estimated annualized premium*	
Cigna	$.150	$2.17	$.230			$1,293,876	
MetLife				$.270	$.210	$537,972	
					TOTAL	**$1,831,837**	
Proposed rates	**Basic Life** (per $1000 of coverage)	**Retiree Life** HEI, HECO, HELCO, MECO (per $1000 of coverage)	**Retiree Life** YB, HTB (per $1000 of coverage)	**LTD - NBU** (per $100 of covered payroll)	**LTD - BU** (per $100 of covered payroll)	**Estimated annualized premium***	**Estimated annual savings from current***
Renew w/ incumbent carriers as is	$.1425	$2.17	$.230	$.227	$.176	$1,717,440	$114,397
All Cigna	$.135	$2.17	$.230	$.229	$.178	$1,693,716	$138,121
All MetLife	$.098	$2.17	$.230	$.227	$.176	$1,550,328	**$281,509**

**Totals may not be exact due to rounding*

Cigna *(Exhibit 3)*

For the January 2015 renewal, Cigna provided a 5% decrease for Basic Life and Supplemental Dependent Life, and various decreases by age band for Supplemental Life. However, they would like to expand their relationship with HECO by offering a consolidated proposal which includes LTD.

- In-force Plans – Life & AD&D rates guaranteed for three (3) years; 4th and 5th year rate guarantees are contingent upon ≤ 85% incurred loss ratio for Life. The following rates will go into effect if the LTD plan is awarded to Cigna:
  - Basic Life: $0.135 per $1,000 of coverage, a 10% decrease from current
  - Retiree Life: no change to current rates
  - Supplemental Life: age-banded; various decreases per band ranging from 4.4% - 38.3%
  - Supplemental Dependent Life:
    - Option 1 - $1.691 per $1,000 of coverage, a 5% decrease from current
    - Option 2 - $4.465 per $1,000 of coverage, a 5% decrease from current
  - Voluntary AD&D: no change to current rates
- Proposed Plans – LTD rates guaranteed for three (3) years if sold with Life & AD&D; 4th and 5th year rate guarantees are contingent upon ≤ 70% incurred loss ratio for LTD
  - Merit: $0.229 per $100 of covered payroll, a 15.2% decrease from current in-force rates
  - BU: $0.178 per $100 of covered payroll, a 15.2% decrease from current in-force rates

- For LTD, Cigna could not match MetLife's current Terminal Illness benefit rider as they are not approved in Hawaii for this benefit. In lieu of that, they proposed an Activities of Daily Living (ADL) rider that pays an additional 15% for Class 1 and 20% for Class 2 if the employee is unable to perform at least two of the six activities that are considered standard for daily living (e.g. eating, bathing, dressing, continence, toileting, or transferring (ability to get in and out of bed/wheelchair,etc.)). For purposes of this analysis, we excluded this option since it is not currently a benefit.

		Consolidated with Cigna	
Proposal summary*	**Current**	**Proposed**	**Estimated Savings**
Core Life	$46,942	$42,248	$4,694
Retiree Life (HEI, HECO, HELCO, MECO)	$60,869	$60,869	$0
Retiree Life (HTB, YB)	$12	$12	$0
LTD (Merit)	$26,842	$22,766	$4,076
LTD (BU)	$17,989	$15,248	$2,741
Monthly total	$152,653	$141,143	$11,510
Annual total	**$1,831,837**	**$1,693,716**	**$138,121**

**Totals may not be exact due to rounding*

<u>MetLife</u> *(Exhibit 4)*

MetLife provided a significant decrease in their LTD renewal and aggressive quotes for Life and AD&D. Evidently, MetLife is very serious in their desire to maintain and expand upon their current relationship with HECO by offering a competitive all-inclusive proposal effective 1/1/15.

- In-force Plans – LTD rates guaranteed for four (4) years if sold with Life & AD&D; otherwise, 3 years
  - Merit: $0.227 per $100 of covered payroll, a 16.0% decrease from current
  - BU: $0.176 per $100 of covered payroll, a 16.0% decrease from current
  - No changes to current ASO Bank Fee and Monthly Per Claim Fee
- Proposed Plans – Life & AD&D rates guaranteed for four (4) years if sold with LTD; otherwise, 3 years
  - Basic Life: $0.098 per $1,000 of coverage, a 34.6% decrease from current
  - Retiree Life: match current in-force rates
  - Supplemental Life: age-banded, with a 20% decrease in each band
  - Supplemental Dependent Life: match current in-force rates
  - Voluntary AD&D: match current in-force employee rate; reduced family rate to $0.041 per $1,000 of coverage, an 18% decrease from current

		Consolidated with MetLife	
Proposal summary*	**Current**	**Proposed**	**Estimated Savings**
Core Life	$46,942	$30,669	$16,273
Retiree Life (HEI, HECO, HELCO, MECO)	$60,869	$60,869	$0
Retiree Life (HTB, YB)	$12	$12	$0
LTD (Merit)	$26,842	$22,567	$4,275
LTD (BU)	$17,989	$15,077	$2,912
Monthly total	$152,653	$129,194	$23,459
Annual total	**$1,831,837**	**$1,550,328**	**$281,509**

**Totals may not be exact due to rounding*

Benefit Enhancements/Deviations

	Life & AD&D	LTD
Cigna	**Incumbent**: no changes to current structure 1) Offered 5% rate reduction to in-force Life rates with a 3-year rate guarantee, and 4th and 5th year contingent rate guarantees 2) Offered additional 5% rate reduction to Life renewal rates if LTD is awarded, same rate guarantees	**Proposed:** Cigna matched most in-force benefits with the following exceptions: 1) Unable to match current Class 2 pre-existing condition exclusion – matched instead current Class 1 benefit of 3/12 vs. current Class 2 benefit of 5 day look-back/1 day effective 2) Unable to match existing Terminal Illness Rider – offered instead Activities of Daily Living (ADL) Rider which pays additional 15% for Class 1 and 20% for Class 2 if employee is unable to perform at least 2 of 6 ADLs (see definition in previous section) Additionally, Cigna feels they can offer the following benefit enhancement: 1) Indexed earnings definition at 10% vs. MetLife's 7%
MetLife	**Proposed**: MetLife matched all current classes and benefits, and offered what they feel are the following benefit enhancements: 1) Accelerated Death Benefit – 80% to max $500,000 vs. Cigna's current benefit of 50% to max $500,000 2) Grief Counseling Services 3) Will Preparation 4) Estate Resolution Services 5) Portability of coverage (Basic and Supplemental) 6) Transitional services – MetLife can manage conversion and portability on HECO's behalf, as well as Life waiver and LTD claims so claimant does not have to provide duplicate medical information	**Incumbent:** no changes to current benefit structure 1) Offered 16% rate reduction to in-force LTD rates with a 3-year rate guarantee 2) Offered a 4-year rate guarantee for <u>all</u> coverage if awarded Life & AD&D

Summary and Recommendations

Each carrier recognizes HECO's desire to provide benefits in the most cost-efficient manner possible, and submitted competitive proposals for consideration. After carefully reviewing both proposals and comparing all factors and considerations between the two incumbent carriers, we feel that MetLife offers the most compelling packaged option. Although both carriers are able to match the current plan designs HECO has in place today, MetLife provides the most cost-effective options for HECO's upcoming renewal. However, awarding the Life and AD&D to MetLife will create a short-term administrative burden to implement another carrier, assess billing procedures, and institute new policy contracts.

Cigna has a good working relationship with HECO. There are no concerns in either servicing or administration from Cigna that we are aware of. The decision to change Life and AD&D carriers to MetLife would be based on the significant cost savings that MetLife can provide. MetLife also has a good working relationship with HECO, and we can expect their service levels to continue if the Life and AD&D coverages are consolidated with them. If MetLife is selected to replace Cigna for Life and AD&D, they are committed to working with HECO to assist in a smooth and timely transition of benefits, service, and administration.

Due to the significant savings offered by MetLife, it is our recommendation to award the Basic Life, Retiree Life, Supplemental Life, Supplemental Dependent Life, and Voluntary AD&D to MetLife, and to renew the LTD coverage with MetLife effective January 1, 2015. This move produces an estimated $281,509 in annual savings over the current premium.

Hawaiian Electric Company
HMSA - Renewal Options Summary (Actives & Retirees <65)
January 1, 2016
Source: HMSA Renewal

		Current 2015 (Yr 1 of 2) ACA fees incl	Renewal 2016 (Yr 2 of 2) ACA fees incl	Renewal Option* 2016 (Yr 1 of 2) ACA fees incl	Renewal Option 2017 (Yr 2 of 2) ACA fees incl
CompMed - Medical B-825, Drug 395					
Actives - BU & NBU					
EE	316	369.10	401.92	363.90	382.94
EE + Child(ren)	81	738.22	803.86	727.84	765.94
EE + Spouse	166	885.88	964.64	873.42	919.12
EE + Family	482	1,033.54	1,125.44	1,019.00	1,072.34
	1,045				
Monthly		$ 821,654	$ 894,712	$ 810,093	$ 852,492
Annual		$ 9,859,845	$ 10,736,540	$ 9,721,118	$ 10,229,904
Change		**14.9%**	**8.9%**	**-1.4%**	**5.2%**
CompMed - B-825 (No Drug)					
Actives - BU					
EE	13	316.32	345.66	298.88	309.34
EE + Child(ren)	3	632.64	691.34	597.76	618.68
EE + Spouse	2	759.16	829.58	717.30	742.40
EE + Family	3	885.70	967.88	836.86	866.16
	21				
Monthly		$ 10,186	$ 11,130	$ 9,624	$ 9,961
Annual		$ 122,226	$ 133,565	$ 115,487	$ 119,529
Change		**14.6%**	**9.3%**	**-5.5%**	**3.5%**
HPH+ - Medical HPH+ Z-N, Drug 396					
Actives - BU & NBU					
EE	277	429.30	468.14	420.78	441.82
EE + Child(ren)	102	858.66	936.34	841.64	883.72
EE + Spouse	164	1,030.42	1,123.66	1,009.98	1,060.46
EE + Family	603	1,202.12	1,310.88	1,178.28	1,237.18
	1,146				
Monthly		$ 1,100,367	$ 1,199,922	$ 1,078,543	$ 1,132,459
Annual		$ 13,204,400	$ 14,399,068	$ 12,942,515	$ 13,589,503
Change		**14.7%**	**9.0%**	**-2.0%**	**5.0%**
HPH+ - Medical HPH+ Z-N (No Drug)					
Actives - BU					
EE	0	376.52	411.88	355.76	368.22
EE + Child(ren)	0	753.08	823.82	711.56	736.46
EE + Spouse	0	903.70	988.60	853.86	883.74
EE + Family	0	1,054.28	1,153.32	996.14	1,031.00
	0				
Total Actives Cov'd	**2,212**	$ -	$ -	$ -	$ -
TOTAL Est. MONTHLY Premium		**$ 1,932,206**	**$ 2,105,764**	**$ 1,898,260**	**$ 1,994,911**
TOTAL Est. ANNUAL Premium		**$ 23,186,471**	**$ 25,269,173**	**$ 22,779,120**	**$ 23,938,935**
Overall Change		**14.8%**	**9.0%**	**-1.8%**	**5.1%**

Hawaiian Electric Company
HMSA - Renewal Options Summary (Actives & Retirees <65)
January 1, 2016
Source: HMSA Renewal

		Current 2015 (Yr 1 of 2)	Renewal 2016 (Yr 2 of 2)	Renewal Option* 2016 (Yr 1 of 2)	Renewal Option 2017 (Yr 2 of 2)
CompMed - Medical B-825, Drug 395					
Retirees - MRG					
EE	193	675.54	682.48	682.48	653.94
EE + One	97	1,352.80	1,366.74	1,366.74	1,309.34
EE + Family	7	2,029.06	2,049.94	2,049.94	1,963.92
	297				
Monthly		$ 275,804	$ 278,642	$ 278,642	$ 266,964
Annual		$ 3,309,651	$ 3,343,704	$ 3,343,704	$ 3,203,566
Change		**6.5%**	**1.0%**	**1.0%**	**-4.2%**
CompMed - Medical B-825					
Retirees - MRG					
EE	0	516.06	512.50	512.50	449.48
EE + One	0	1,033.90	1,026.82	1,026.82	900.52
EE + Family	0	1,550.70	1,540.06	1,540.06	1,350.66
	0				
		$ -	$ -	$ -	$ -
Retirees - MRG (Drug 395 Only)					
EE	288	159.48	169.98	169.98	204.46
EE + One	133	318.90	339.92	339.92	408.82
EE + Family	0	478.36	509.88	509.88	613.26
	421				
Monthly		$ 88,344	$ 94,164	$ 94,164	$ 113,258
Annual		$ 1,060,127	$ 1,129,963	$ 1,129,963	$ 1,359,090
Change		**4.6%**	**6.6%**	**6.6%**	**20.3%**
HPH+ - Medical HPH+ Z-N, Drug 396					
Retirees - MRG					
EE	38	1,008.06	1,013.64	1,013.64	943.58
EE + One	2	2,018.92	2,030.10	2,030.10	1,889.54
EE + Family	0	3,028.38	3,045.14	3,045.14	2,834.32
	40				
Monthly		$ 42,344	$ 42,579	$ 42,579	$ 39,635
Annual		$ 508,129	$ 510,942	$ 510,942	$ 475,621
Change		**6.5%**	**0.6%**	**0.6%**	**-6.9%**
Total Retirees Cov'd	**758**				
TOTAL Est. MONTHLY Premium		**$ 406,492**	**$ 415,384**	**$ 415,384**	**$ 419,857**
TOTAL Est. ANNUAL Premium		**$ 4,877,908**	**$ 4,984,609**	**$ 4,984,609**	**$ 5,038,278**
Overall Change		**6.1%**	**2.2%**	**2.2%**	**1.1%**
Actives & Retiree Combined					
TOTAL Est. MONTHLY Premium		**2,338,698**	**2,521,149**	**2,313,644**	**2,414,768**
TOTAL Est. ANNUAL Premium		**28,064,379**	**30,253,783**	**27,763,729**	**28,977,213**
Overall Change		**13.2%**	**7.8%**	**-1.1%**	**4.4%**
			1,116,254	**1,373,800**	**Early Termination Penalty**
			(est. savings)	**29,137,529**	**TOTAL Est. ANN. Prem. (w/penalty)**

HAWAII ELECTRIC LIGHT COMPANY
MEDICAL/DRUG BENCHMARK COMPARISON

Hawaii Electric Light Company Industry: Utility Union and Non-Union	2012			2013			2014			2015			2016		
	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total
HMSA CompMed, Drug															
Single	229.64	65.70	**$295.34**	244.34	55.06	**$299.40**	277.24	43.64	**$320.88**	316.32	52.78	**$369.10**	298.88	65.02	**$363.90**
Single + Spouse	615.28	118.30	**$733.58**	654.66	99.14	**$753.80**	665.38	104.74	**$770.12**	759.16	126.72	**$885.88**	717.30	156.12	**$873.42**
Single + Child(ren)	510.82	98.60	**$609.42**	543.52	82.64	**$626.16**	554.48	87.28	**$641.76**	632.64	105.58	**$738.22**	597.76	130.08	**$727.84**
Family	668.76	124.88	**$793.64**	711.56	104.66	**$816.22**	776.28	122.20	**$898.48**	885.70	147.84	**$1,033.54**	836.86	182.14	**$1,019.00**
HMSA HPH Plus, Drug															
Single	290.80	65.70	**$356.50**	309.42	55.06	**$364.48**	330.88	43.64	**$374.52**	376.52	52.78	**$429.30**	355.76	65.02	**$420.78**
Single + Spouse	727.70	118.30	**$846.00**	774.28	99.14	**$873.42**	794.12	104.74	**$898.86**	903.70	126.72	**$1,030.42**	853.86	156.12	**$1,009.98**
Single + Child(ren)	604.26	98.60	**$702.86**	642.94	82.64	**$725.58**	661.76	87.28	**$749.04**	753.08	105.58	**$858.66**	711.56	130.08	**$841.64**
Family	797.30	124.88	**$922.18**	848.32	104.66	**$952.98**	926.46	122.20	**$1,048.66**	1054.28	147.84	**$1,202.12**	996.14	182.14	**$1,178.28**
Kaiser HMO $20 OV, Drug 14															
Single	(Kaiser rates combined)		**$349.57**	(Kaiser rates combined)		**$360.79**	(Kaiser rates combined)		**$355.53**	(Kaiser rates combined)		**$409.41**	(Kaiser rates combined)		**$452.40**
Single + Spouse			**$807.52**			**$833.42**			**$853.27**			**$982.58**			**$1,085.76**
Single + Child(ren)			**$671.18**			**$692.72**			**$711.06**			**$818.81**			**$904.80**
Family			**$880.93**			**$909.19**			**$995.48**			**$1,146.34**			**$1,266.72**

Company A (approx. 1,000 employees) Industry: Auto, Insurance, Appliance Union and Non-Union	2012-2013			2013-2014			2013-2014			2015			2016		
	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total
HMSA PPP, Drug															
Single	298.98	73.56	**$372.54**	358.26	59.68	**$417.94**	358.26	59.68	**$417.94**	366.86	66.66	**$433.52**	347.52	91.06	**$438.58**
2-Party	597.96	147.12	**$745.08**	716.52	119.38	**$835.90**	716.52	119.38	**$835.90**	733.72	133.34	**$867.06**	695.06	182.16	**$877.22**
Family	896.94	220.68	**$1,117.62**	1074.78	179.06	**$1,253.84**	1074.78	179.06	**$1,253.84**	1100.58	200.02	**$1,300.60**	1042.58	273.24	**$1,315.82**
HMSA HPH Plus, Drug															
Single	261.30	60.40	**$321.70**	313.54	49.02	**$362.56**	313.54	49.02	**$362.56**	321.06	54.76	**$375.82**	304.74	74.80	**$379.54**
2-Party	522.62	120.78	**$643.40**	627.08	98.04	**$725.12**	627.08	98.04	**$725.12**	642.12	109.52	**$751.64**	609.50	149.62	**$759.12**
Family	783.92	181.18	**$965.10**	940.62	147.08	**$1,087.70**	940.62	147.08	**$1,087.70**	963.20	164.28	**$1,127.48**	914.26	224.42	**$1,138.68**
Kaiser HMO $15 OV, Drug 15															
Single	(Kaiser rates combined)		**$390.89**	(Kaiser rates combined)		**$402.78**	(Kaiser rates combined)		**$402.78**	(Kaiser rates combined)		**$442.69**	(Kaiser rates combined)		**$471.98**
2-Party			**$781.77**			**$805.56**			**$805.56**			**$885.38**			**$943.96**
Family			**$1,172.66**			**$1,208.34**			**$1,208.34**			**$1,328.08**			**$1,415.94**

Company B (approx. 1,750 employees) Industry: Communications Union and Non-Union	2012			2013			2014			2015			2016		
	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total
HMSA PPP, Drug															
Single	294.66	76.54	**$371.20**	320.60	67.40	**$388.00**	334.38	70.98	**$405.36**	344.08	82.62	**$426.70**	362.10	88.08	**$450.18**
Employee + Spouse	674.78	175.22	**$850.00**	734.16	154.30	**$888.46**	765.72	162.48	**$928.20**	787.92	189.12	**$977.04**	829.18	201.60	**$1,030.78**
Employee + Child(ren)	559.86	145.38	**$705.24**	609.12	128.02	**$737.14**	635.32	134.80	**$770.12**	653.74	156.90	**$810.64**	687.96	167.26	**$855.22**
Family	939.96	244.10	**$1,184.06**	1022.68	214.96	**$1,237.64**	1066.66	226.36	**$1,293.02**	1097.60	263.48	**$1,361.08**	1155.06	280.86	**$1,435.92**
HMSA HMO HI, Drug															
Single	234.44	64.22	**$348.66**	309.48	56.64	**$366.12**	322.78	59.64	**$382.42**	321.52	69.76	**$391.28**	338.70	74.36	**$413.06**

HAWAII ELECTRIC LIGHT COMPANY
MEDICAL/DRUG BENCHMARK COMPARISON

Employee + Spouse	651.38	147.10	$798.48	708.70	129.72	$838.42	739.18	136.60	$875.78	736.28	159.80	$896.08	775.60	170.34	$945.94
Employee + Child(ren)	540.46	122.02	$662.48	588.02	107.60	$695.62	613.30	113.30	$726.60	610.90	132.54	$743.44	643.52	141.28	$784.80
Family	907.40	204.90	$1,112.30	987.26	180.68	$1,167.94	1029.72	190.26	$1,219.98	1025.68	222.56	$1,248.24	1080.46	237.24	$1,317.70
Kaiser HMO $14 OV, Drug 10															
Single			$365.00			$385.00			$431.00			$403.00			$468.00
Employee + Spouse	(Kaiser rates combined)		$835.00	(Kaiser rates combined)		$880.00	(Kaiser rates combined)		$985.00	(Kaiser rates combined)		$923.00	(Kaiser rates combined)		$1,070.00
Employee + Child(ren)			$693.00			$731.00			$818.00			$766.00			$888.00
Family			$1,163.00			$1,226.00			$1,372.00			$1,281.00			$1,486.00

Company C (approx. 1,200 employees) Industry: Banking, Financial Non Union	2012			2013			2014			2015			2016		
	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total	Medical	Drug	Total
HMSA HPH Plus, HBHC Drug Plan	Comp Basic														
Single			$0.00			$0.00			$0.00			$0.00			$0.00
Two-Party			$0.00			$0.00			$0.00			$0.00			$0.00
Family			$0.00			$0.00			$0.00			$0.00			$0.00
HMAA 90/10, HBHC Drug Plan															
Single	316.62	56.52	$373.14	316.62	53.64	$370.26	317.30	53.07	$370.37	338.99	57.03	$396.02	387.80	67.54	$455.34
Two-Party	622.30	113.04	$735.34	622.30	107.27	$729.57	623.83	114.06	$737.89	666.57	114.06	$780.63	762.60	135.08	$897.68
Family	946.66	169.56	$1,116.22	946.66	160.91	$1,107.57	949.29	171.09	$1,120.38	1014.48	171.09	$1,185.57	1160.70	202.62	$1,363.32
HMAA Comp Plus, HBHC Drug Plan															
Single	287.58	56.52	$344.10	287.58	53.64	$341.22	288.70	53.07	$341.77	308.68	57.03	$365.71	353.25	67.54	$420.79
Two-Party	565.24	113.04	$678.28	565.24	107.27	$672.51	567.62	114.06	$681.68	606.99	114.06	$721.05	694.67	135.08	$829.75
Family	859.84	169.56	$1,029.40	859.84	160.91	$1,020.75	863.77	171.09	$1,034.86	923.83	171.09	$1,094.92	1057.36	202.62	$1,259.98
Kaiser HMO $15 OV, Drug 15															
Single			$323.08			$325.40			$341.50			$353.63			$392.53
Two-Party	(Kaiser rates combined)		$646.16	(Kaiser rates combined)		$650.80	(Kaiser rates combined)		$683.00	(Kaiser rates combined)		$707.26	(Kaiser rates combined)		$785.06
Family			$969.23			$976.20			$1,024.50			$1,060.89			$1,177.59

Notes:

> All companies are Merit Rated (100% credibility on group-specific experience)

> Company A and Company B include union employees

> Experience data combines union/non-union and actives/retirees

> Plan Designs vary per group

Hawai`i Electric Light Company

Medical Benefit Contributions

Converted Monthly

Converted Monthly	2011	2012		2013		2014		2015		2016		2017		2018	
	2011 - 2014 Previous CBA-Benefits Agreement							Estimated Fixed Dollar Amount - Medical Contributions							
	PPP / K / HPH ZN	CM / K	HPH ZN	CM / K	HPH ZN	CM / K	HPH ZN	CM / K	HPH ZN	CM / K	HPH ZN	CM / K	HPH ZN	CM / K	HPH ZN
Single	15.00	17.00	60.00	19.00	70.00	21.00	80.00	23.00	90.00	25.00	100.00	27.00	110.00	29.00	120.00
yoy% Chg		13.3%	300.0%	11.8%	16.7%	10.5%	14.3%	9.5%	12.5%	8.7%	11.1%	8.0%	10.0%	7.4%	9.1%
Single Parent	30.00	34.00	110.00	38.00	130.00	42.00	140.00	46.00	150.00	50.00	160.00	54.00	170.00	58.00	180.00
yoy% Chg		13.3%	266.7%	11.8%	18.2%	10.5%	7.7%	9.5%	7.1%	8.7%	6.7%	8.0%	6.3%	7.4%	5.9%
Emp+1	45.00	51.00	150.00	57.00	170.00	63.00	180.00	69.00	190.00	75.00	200.00	81.00	210.00	87.00	220.00
yoy% Chg		13.3%	233.3%	11.8%	13.3%	10.5%	5.9%	9.5%	5.6%	8.7%	5.3%	8.0%	5.0%	7.4%	4.8%
Family	60.00	68.00	200.00	76.00	210.00	84.00	220.00	92.00	230.00	100.00	240.00	108.00	250.00	116.00	260.00
yoy% Chg		13.3%	233.3%	11.8%	5.0%	10.5%	4.8%	9.5%	4.5%	8.7%	4.3%	8.0%	4.2%	7.4%	4.0%

PPP = HMSA Perferred Provider Plan
CM = HMSA CompMed
K = Kaiser
HPH ZN = HMSA Health Plan Hawaii

Current CBA % of Premium Rate - 2014, 2015, 2016 Actual, 2017 and 2018 Estimated Medical Contributions

CM	K	HPH ZN	CM	K	HPH ZN	CM	K	HPH ZN	CM	K	HPH ZN	CM	K	HPH ZN
35.70	41.25	44.28	46.43	53.29	56.67	48.23	64.16	58.47	52.86	76.90	63.95	63.28	91.12	76.12
97.34	108.43	114.51	120.63	134.33	141.11	125.86	157.71	146.35	136.89	184.97	159.08	159.51	215.18	185.20
113.99	127.29	134.59	141.42	157.86	165.99	147.50	185.72	172.08	160.32	218.01	186.94	187.01	253.81	217.84
139.08	154.60	163.11	171.58	190.76	200.24	179.06	223.64	207.73	194.48	261.78	225.53	226.10	304.04	262.06
70.0%	96.4%	-44.7%	101.9%	131.7%	-37.0%	92.9%	156.6%	-41.5%	95.8%	184.8%	-41.9%	118.2%	214.2%	-36.6%
131.8%	158.2%	-18.2%	162.2%	192.0%	-5.9%	151.7%	215.4%	-8.5%	153.5%	242.5%	-6.4%	175.0%	271.0%	2.9%
80.9%	102.0%	-25.2%	105.0%	128.8%	-12.6%	96.7%	147.6%	-14.0%	97.9%	169.1%	-11.0%	115.0%	191.7%	-1.0%
65.6%	84.0%	-25.9%	86.5%	107.3%	-12.9%	79.1%	123.6%	-13.4%	80.1%	142.4%	-9.8%	94.9%	162.1%	0.8%

Hawai`i Electric Light Company

Company vs Employee Contribution

	2014	2015	2016	Est. Renewals 2017	Est. Renewals 2018	Hawai`i Electric Light Counts
CompMed				+2.6%	+10.0% Inc	
Ee	320.88	369.10	363.90	373.36	410.70	25
Ee+Ch(ren)	641.76	738.22	727.84	746.76	821.44	12
Ee+Sp	770.12	885.88	873.42	896.13	985.74	17
Ee+Fam	898.48	1,033.54	1,019.00	1,045.49	1,150.04	66
Kaiser				+10.5 Inc	+10.0% Inc	120
Ee	355.53	409.41	452.40	499.90	549.89	5
Ee+Ch(ren)	711.06	818.81	904.80	999.80	1,099.78	4
Ee+Sp	853.27	982.58	1,085.76	1,199.76	1,319.74	7
Ee+Fam	995.48	1,146.34	1,266.72	1,399.73	1,539.70	14
HPH ZN				+2.6%	+10.0% Inc	30
Ee	374.52	429.30	420.78	431.72	474.89	19
Ee+Ch(ren)	749.04	858.66	841.64	863.52	949.87	9
Ee+Sp	898.86	1,030.42	1,009.98	1,036.24	1,139.86	18
Ee+Fam	1,048.66	1,202.12	1,178.28	1,208.92	1,329.81	86
Vis				new 2 yr.K		132
Ee	6.07	6.45	6.45	6.45	6.45	
Ee+Ch(ren)	12.27	13.03	13.03	13.03	13.03	282
Ee+Sp	14.89	15.81	15.81	15.81	15.81	
Ee+Fam	16.38	17.39	17.39	17.39	17.39	
Dental				+2.5% Inc	+2.5% Inc	
Ee	31.27	32.67	32.67	33.49	34.32	
Ee+1 Dp	62.50	65.29	65.29	66.92	68.60	
Ee+1 Dp	62.50	65.29	65.29	66.92	68.60	
Ee+Fam	89.45	93.44	93.44	95.78	98.17	

MoBrien - Ee counts as of May 2016

Monthly Medical, Drug, Vision, Dental - After FLEX CREDITS

	2014 - Previous Flat Contribution Mo Prem ($)	Ee Share ($)	HawaiiElec ($)	% Total	2014 - Current 16% of Rate Mo Prem ($)	Mo.Flex ($)	16.0% ($)	HawaiiElec ($)	% Total	2015 - @17% % of Rate Mo Prem ($)	Mo.Flex ($)	17.0% ($)	HawaiiElec ($)	% Total
CompMed														
Ee	358.22	21.00	337.22	94.1%	358.22	(135.08)	35.70	322.52	90.0%	408.22	(135.08)	46.43	361.79	88.6%
Ee+Ch(ren)	743.48	42.00	701.48	94.4%	743.48	(135.08)	97.34	646.14	86.9%	844.69	(135.08)	120.63	724.06	85.7%
Ee+Sp	847.51	63.00	784.51	92.6%	847.51	(135.08)	113.99	733.52	86.6%	966.98	(135.08)	141.42	825.56	85.4%
Ee+Fam	1,004.31	84.00	920.31	91.6%	1,004.31	(135.08)	139.08	865.23	86.2%	1,144.37	(135.08)	171.58	972.79	85.0%
Kaiser														
Ee	392.87	21.00	371.87	94.7%	392.87	(135.08)	41.25	351.62	89.5%	448.53	(135.08)	53.29	395.24	88.1%
Ee+Ch(ren)	812.78	42.00	770.78	94.8%	812.78	(135.08)	108.43	704.35	86.7%	925.28	(135.08)	134.33	790.95	85.5%
Ee+Sp	930.66	63.00	867.66	93.2%	930.66	(135.08)	127.29	803.37	86.3%	1,063.68	(135.08)	157.86	905.82	85.2%
Ee+Fam	1,101.31	84.00	1,017.31	92.4%	1,101.31	(135.08)	154.60	946.71	86.0%	1,257.17	(135.08)	190.76	1066.41	84.8%
HPH+														
Ee	411.86	80.00	331.86	80.6%	411.86	(135.08)	44.28	367.58	89.2%	468.42	(135.08)	56.67	411.75	87.9%
Ee+Ch(ren)	850.76	140.00	710.76	83.5%	850.76	(135.08)	114.51	736.25	86.5%	965.13	(135.08)	141.11	824.02	85.4%
Ee+Sp	976.25	180.00	796.25	81.6%	976.25	(135.08)	134.59	841.66	86.2%	1,111.52	(135.08)	165.99	945.53	85.1%
Ee+Fam	1,154.49	220.00	934.49	80.9%	1,154.49	(135.08)	163.11	991.38	85.9%	1,312.95	(135.08)	200.24	1112.71	84.7%
										25.43	32.29	(23.33)	-29.2%	
										78.63	92.33	1.11	0.8%	
										78.42	94.86	(14.01)	-7.8%	
										87.58	106.76	(19.76)	-9.0%	

	2016 - Current @18% of Rate Mo Prem ($)	Mo.Flex ($)	18.0% ($)	HawaiiElec ($)	% Total	2017 - Current @19% of Rate Mo Prem ($)	Mo.Flex ($)	19.0% ($)	HawaiiElec ($)	% Total	2018 - Current @20% of Rate Mo Prem ($)	Mo.Flex ($)	20.0% ($)	HawaiiElec ($)	% Total
CompMed															
Ee	403.02	(135.08)	48.23	354.79	88.0%	413.30	(135.08)	52.86	360.44	87.2%	451.47	(135.08)	63.28	388.19	86.0%
Ee+Ch(ren)	834.31	(135.08)	125.86	708.45	84.9%	855.57	(135.08)	136.89	718.68	84.0%	932.64	(135.08)	159.51	773.13	82.9%
Ee+Sp	954.52	(135.08)	147.50	807.02	84.5%	978.86	(135.08)	160.32	818.54	83.6%	1,070.15	(135.08)	187.01	883.13	82.5%
Ee+Fam	1,129.83	(135.08)	179.06	950.78	84.2%	1,158.66	(135.08)	194.48	964.18	83.2%	1,265.60	(135.08)	226.10	1039.50	82.1%
Kaiser															
Ee	491.52	(135.08)	64.16	427.36	86.9%	539.84	(135.08)	76.90	462.93	85.8%	590.67	(135.08)	91.12	499.55	84.6%
Ee+Ch(ren)	1,011.27	(135.08)	157.71	853.56	84.4%	1,108.61	(135.08)	184.97	923.64	83.3%	1,210.98	(135.08)	215.18	995.80	82.2%
Ee+Sp	1,166.86	(135.08)	185.72	981.14	84.1%	1,282.50	(135.08)	218.01	1064.49	83.0%	1,404.15	(135.08)	253.81	1150.33	81.9%
Ee+Fam	1,377.55	(135.08)	223.64	1153.91	83.8%	1,512.89	(135.08)	261.78	1251.11	82.7%	1,655.26	(135.08)	304.04	1351.22	81.6%
HPH+															
Ee	459.90	(135.08)	58.47	401.43	87.3%	471.66	(135.08)	63.95	407.71	86.4%	515.67	(135.08)	76.12	439.55	85.2%
Ee+Ch(ren)	948.11	(135.08)	146.35	801.76	84.6%	972.33	(135.08)	159.08	813.25	83.6%	1,061.08	(135.08)	185.20	875.88	82.5%
Ee+Sp	1,091.08	(135.08)	172.08	919.00	84.2%	1,118.97	(135.08)	186.94	932.03	83.3%	1,224.27	(135.08)	217.84	1006.43	82.2%
Ee+Fam	1,289.11	(135.08)	207.73	1081.38	83.9%	1,322.08	(135.08)	225.53	1096.55	82.9%	1,445.37	(135.08)	262.06	1183.31	81.9%

67.54 = Flex Credit per payperiod
135.08 = Flex Credit per month

Calculation of Hawai'i Electric Light Family and Dependent Premium Cost

2016	Monthly Premiums	HAWAI'I ELECTRIC LIGHT Dependent Premium Cost (Family Coverage)	HAWAI'I ELECTRIC LIGHT Monthly Employee Contributions *	HAWAI'I ELECTRIC LIGHT Dependent Contribution (Family Coverage)	HAWAI'I ELECTRIC LIGHT Contributions as % of Premiums
HMSA CompMed, Rx, Vision, Dental					% of Family Premium
Employee	403.02		48.23		(1,129.83 - 179.06) / 1,129.83
Employee + Child(ren)	834.31	1,129.83 - 403.02	120.80	179.06 - 48.23	= 84.2%
Employee + Spouse	954.52	= 726.81	147.50	= 130.82	**% of Dependent Premium**
Family	1,129.83		179.06		**(726.81 - 130.83) / 726.81**
					= 82.0%
Kaiser HMO, Rx. Vision, Dental					
Employee	491.52		64.16		% of Family Premium
Employee + Child(ren)	1,011.27	1,377.55 - 491.52	152.65	223.64 - 64.16	(1,377.55 - 223.64) / 1,377.55
Employee + Spouse	1,166.86	= 886.03	185.72	= 159.48	= 83.8%
Family	1,377.55		223.64		**% of Dependent Premium**
					(886.02 - 159.49) / 886.02
					= 82.0%
HMSA HPH ZN, Rx, Vision, Dental					
Employee	459.90		58.47		% of Family Premium
Employee + Child(ren)	948.11	1,289.11 - 459.90	141.28	207.73 - 58.47	(1,289.11 - 207.73) / 1,289.11
Employee + Spouse	1,091.08	= 829.21	172.08	= 149.26	= 83.9%
Family	1,289.11		207.73		**% of Dependent Premium**
					(829.20 - 149.26) / 829.20
					= 82.0%

*% contribution is calculated after $135.08 Flex Credits are applied

Calculation of Hawai`i Electric Light Family and Dependent Premium Cost

2014 – Flat Amount based on previous CBA-BA	2014 Monthly Premiums	HAWAI`I ELECTRIC LIGHT Dependent Premium Cost (Family Coverage)	HAWAI`I ELECTRIC LIGHT Monthly Employee Contributions	HAWAI`I ELECTRIC LIGHT Dependent Contribution (Family Coverage)	HAWAI`I ELECTRIC LIGHT Contributions as % of Premiums
<u>HMSA CompMed, Rx, Vis, Dent</u>					% of Family Premium
Employee	358.22		21.00		(1,004.31 – 84.00) / 1,004.31
Employee + Child(ren)	743.48	1,004.31 - 358.22	42.00	84.00 -21.00	= 91.9%
Employee + Spouse	847.51	= 646.09	63.00	= 63.00	
Family	1,004.31		84.00		**% of Dependent Premium**
					(646.09 – 63.00) / 646.09
					= 90.2%
<u>Kaiser, Rx, Vis, Dent</u>					% of Family Premium
Employee	392.87		21.00		(1,101.31 – 84.00) / 1,101.31
Employee + Child(ren)	812.78	1,101.31 - 392.87	42.00	84.00 – 21.00	= 92.4%
Employee + Spouse	930.66	= 708.44	63.00	= 63.00	
Family	1,101.31		84.00		**% of Dependent Premium**
					(708.44 – 63.00) / 708.44
					= 91.1%
<u>HMSA HPH, Rx, Vis, Dent</u>					% of Family Premium
Employee	411.86		80.00		(1,154.49 – 140.00) / 1,154.49
Employee + Child(ren)	850.76	1,154.49 - 411.86	140.00	220.00 – 80.00	= 87.9%
Employee + Spouse	976.25	= 742.63	180.00	= 140.00	
Family	1,154.49		220.00		**% of Dependent Premium**
					(742.63 – 140.00) / 742.63
					= 81.1%

Hawaiian Electric Company, Maui Electric Company, Hawaii Electric Light Company, Hawaiian Electric Industries
Aggregate – Projected Annual Affordable Care Act Fees for 2016*

	PCORI Fees		Reinsurance Fees		Insurer Assessment Fees		Total ACA Fees	
	Projected Fees	*PMPM*	*Projected Fees*	*PMPM*	*Projected Fees*	*% of Premium*	*Projected Fees*	*% of Total Premium*
HMSA	$15,128	.19	$179,143	2.25	$867,304	3.10%	$1,061,575	3.8% (Actives) 3.5% (Retirees)
Kaiser	$2,957	.18	$36,963	2.25	$55,860	.62%	$95,780	1.50%
HDS	N/A	N/A	N/A	N/A	$44,789	1.40%	$44,789	1.40%
VSP*	N/A	N/A	N/A	N/A	$27,986	5.00%	$27,986	1.00%
Total	**$18,085**		**$216,106**		**$993,939**		**$1,230,130**	

Notes: There may be additional ACA Exchange fees in the future/ Fees based on calculated renewals
***For illustrative purposes only: projected total consolidated estimated ACA fees based on each carrier's interpretation of ACA guidelines, as of June 2016**

Patient-Centered Outcomes Research Institute Fee (PCORI):
A program to fund research to evaluate and compare health outcomes, clinical effectiveness, risks and benefits of medical treatment services
- Charged at $1.00 per member per year for 2013; charged at $2.00 per member per year for 2014; charged at $2.28 per member per year for 2015 and for 2016
- Thereafter, fee to be indexed accordingly to national health expenditures; will be phased out in 2019

Reinsurance Fee:
Intended to stabilize premiums in the individual market in the first 3 years of Health Care Exchanges (2014-2016), to cover potential high risk brought on by adding guaranteed issue with no pre-existing limitations to the individual medical insurance market.
- Charged at $5.25 per member per month, or $63 per member per year for 2014; charged at $44 per member per year for 2015 and $2.25 per member per month, or $27 per year for 2016
- Program is temporary, expected to decrease over time, set to expire after 2016

Insurer Assessment Fee:
To fund premium tax subsidies for low-income individuals & families purchasing through the Exchanges beginning in 2014.
- Fee is apportioned based on each insurer's net health insurance premium market share from the prior year; no official announcement on the specific percentage of premium, which will vary by carrier
- Program appears to be ongoing

Hawaii Employer-Union Health Benefits Trust Fund

RETIREE BENEFIT PLANS REFERENCE GUIDE (EUTF and HSTA VB)

Effective January 1, 2016 – December 31, 2016

Retirees and their dependents who are or soon will be eligible for Medicare please note: Hawaii law requires that you enroll in Medicare Part B when you become eligible in order to enroll in any EUTF or HSTA VB retiree medical and/or prescription drug plan. Please see page 46 for more information on this important topic.

Disclaimer: This Reference Guide offers general information on your health and other benefit plans which are exclusively governed by Hawaii Statutes, the EUTF Administrative Rules as they are amended from time to time and the carrier plan documents all of which are available at eutf.hawaii.gov. Nothing in this Reference Guide is intended to amend, change, or contradict these documents. This Reference Guide is not a legal document or contract and the information in the Reference Guide is not intended as legal advice or to create any legal or contractual liabilities.

NON-MEDICARE RETIREES

Medical Plan Coverage Chart (HMSA and Kaiser) - EUTF

This summary chart is intended to provide a condensed summary of plan benefits. Certain limitations, restrictions and exclusions apply. For complete information on plan benefits, please refer to the HMSA or Kaiser Guide to Benefits, which may be obtained from HMSA or Kaiser directly or from the EUTF website at eutf.hawaii.gov. In the case of a discrepancy between the information provided in this Reference Guide and that contained in the carriers' Guide to Benefits, the language in the carriers' Guide to Benefits will take precedence.

SUMMARY OF YOUR PAYMENT OBLIGATIONS UNDER EACH PLAN Benefits will be administered as described in each plan's documents.			
Plan Provisions	**HMSA PPO**		**Kaiser HMO**
General			
Calendar Year Deductible Single/Family	$100 per person Maximum $300 per family		None/None
Calendar Year Out-of-pocket limit Single/Family	$2,500 per person Maximum $7,500 per family		$2,000 per person Maximum $6,000 per family
Lifetime Benefit Maximum	None		None
	Your Copayment		
	In-Network	**Out-of-Network**	
Physician Services			
Primary Care Office Visit	10%*	30%	$15
Specialist Office Visit	10%*	30%	$15
Routine physical exams	Not Covered	Not Covered	No Charge
Mammography	20%*	30%*	No Charge
Second opinion – surgery	10%*	30%	$15
Emergency Room (ER care)	10%*	10%*	$50 in area / 20% out
Ambulance	20%	30%	20%
Inpatient Hospital Services			
Room & Board	10%*	30%	No Charge
Ancillary Services	10%*	30%	No Charge
Physician services	10%*	30%	No Charge
Surgery	10%*	30%	No Charge
Anesthesia	10%*	30%	No Charge
Outpatient Services			
Chemotherapy	20%	30%	$15
Radiation Therapy	20%*	30%	$15
Surgery	10%* (Cutting)	30%	$15
Allergy Testing	20%	30%	$15
Other Diag. Lab, X-ray & Psych Testing	20%*	30%	$15
Anesthesia	10%*	30%	No Charge; $15 office visit copay applies
Mental Health Services			
Inpatient care	10%*	30%	No Charge
Outpatient Care	10%*	30%	$15
Other Services			
Durable Medical Equipment	20%	30%	20%
Home Health care	No Charge*	30%	No Charge
Hospice Care	No Charge*	Not Covered	No Charge
Nursing facility - skilled care	10%*, 120 days per year	30%, 120 days per year	No Charge, 100 days per benefit period
Physical & Occupational Therapy	20%	30%	$15

*Deductible does not apply.

MEDICARE RETIREES

Medical Plan Coverage Chart (HMSA and Kaiser) - EUTF

This summary chart is intended to provide a condensed explanation of plan benefits. Certain limitations, restrictions and exclusions apply. For complete information on plan benefits, please refer to the HMSA or Kaiser Guide to Benefits, which may be obtained from HMSA or Kaiser directly or from, eutf hawaii.gov. In the case of a discrepancy between this Reference Guide and the language contained in the Guide to Benefits, the language in the Guide to Benefits will take precedence.

SUMMARY OF YOUR PAYMENT OBLIGATIONS UNDER EACH PLAN Benefits will be administered as described in each plan's documents.			
Plan Provisions	**HMSA PPO**		**Kaiser HMO****
General	Your HMSA coverage coordinates with your Medicare coverage. See page 34 for examples		Kaiser Senior Advantage Plan
Calendar Year Deductible Single/Family	$100 per person, Maximum $300 per family		None/None
Calendar Year Out-of-pocket limit Single/Family	$2,500 per person Maximum $7,500 per family		$2,000 per person Maximum $6,000 per family
Lifetime Benefit Maximum	None		None
	Your Copayment		
	In-Network	**Out-of-Network**	
Physician Services			
Primary Care Office Visit	10%*	30%	$15
Specialist Office Visit	10%*	30%	$15
Routine physical exams	Not Covered	Not Covered	No Charge
Mammography	20%*	30%*	No Charge
Second opinion – surgery	10%*	30%	$15
Emergency Room (ER care)	10%*	10%*	$50
Ambulance	20%	30%	20%
Inpatient Hospital Services			
Room & Board	10%*	30%	No Charge
Ancillary Services	10%*	30%	No Charge
Physician services	10%*	30%	No Charge
Surgery	10%*	30%	No Charge
Anesthesia	10%*	30%	No Charge
Outpatient Services			
Chemotherapy	20%	30%	$15
Radiation Therapy	20%*	30%	$15
Surgery	10%* (Cutting)	30%	$15
Allergy Testing	20%	30%	$15
Other Diag. Lab, X-ray & Psych Testing	20%*	30%	No Charge
Anesthesia	10%*	30%	$15
Mental Health Services			
Inpatient care	10%*	30%	No Charge
Outpatient Care	10%*	30%	$15
Other Services			
Durable Medical Equipment	20%	30%	20%
Home Health care	No Charge*	30%	No Charge
Hospice Care	No Charge*	Not Covered	No Charge, Home Care
Nursing facility - skilled care	10%*, 120 days per year	30%, 120 days per year	No Charge, 100 days per benefit period
Physical & Occupational Therapy	20%	30%	$15

*HMSA Deductible does not apply. **If you and/or your dependent are Medicare eligible, you must enroll in the Kaiser Senior Advantage Plan. Contact Kaiser Permanente for information about the Senior Advantage plan benefits and how to enroll.

See examples on page 34 for integration of Medicare benefits for EUTF retirees enrolled in the HMSA PPO plan.

NON-MEDICARE RETIREES

PPO and HMO Prescription Drug Plans – EUTF

COVERAGE	PPO Prescription Drug Plan (administered by CVS Caremark)*		HMO Prescription Drug Plan (Kaiser)
	Participating Pharmacy**	**Non-participating Pharmacy*****	**Copayment up to**
RETAIL & MAIL PRESCRIPTION PROGRAM (30/90 day supply) **Maintenance medications must be filled in a 90-day supply after the first 3-30 day initial fills. +**			
Generic	$5/$10 copayment	$5 + 20% of eligible charges	$15/$30 mail only
Preferred Brand Name	$15/$30 copayment	$15 + 20% of eligible charges	$15/$30 mail only
Other Brand Name	$30/$60 copayment	$30 + 20% of eligible charges	$15/$30 mail only
Injectables and Specialty Drug	20% of eligible charges; Up to $250 maximum per prescription fill; $2,000 out-of-pocket maximum per calendar year; $30 copay oral oncology specialty medications. Specialty drugs are not available through mail-order and only dispensed up to a 30-day supply.		Injectables: $15 / Not available thru mail-order Specialty Drugs: $15/$30 mail- order for eligible drugs
Insulin			
Preferred Insulin	$5/$10 copayment	$5 + 20% of eligible charges	$15 Not available through mail-order
Other Insulin	$15/$30 copayment	$15 + 20% of eligible charges	$15 Not available through mail-order
Diabetic Supplies			
Preferred Diabetic Supplies	No copayment	No copayment	$15/$30 mail only
Other Diabetic Supplies	$15/$30 copayment	$15 + 20% of eligible charges	$15/$30 mail only

*This plan is the prescription drug coverage for the HMSA PPO medical plan options and is administered by CVS Caremark.

**See page 23 for 90-day supply copayment changes effective 7/1/16 due to the Retail 90 network.

***If you receive services from a non-participating (out-of-network) pharmacy you will pay full price for the prescription and must file a claim for reimbursement. You are responsible for the copayment (including the penalty %) and any difference between the actual charge and the eligible charge.

+Note: Maintenance medication can be filled through mail-order, at Longs Drugs/CVS, or at any retail network pharmacy.

MEDICARE RETIREES

Medicare Part D Prescription Drug Plans – EUTF

The EUTF's Medicare Part D prescription drug plan is administered by SilverScript, the Medicare Part D administrator for CVS Caremark. This plan is the prescription drug coverage for Medicare retirees enrolled in the PPO medical plan option and for stand-alone drug coverage. The Kaiser Medicare Part D prescription drug coverage is included under the Kaiser Senior Advantage Medical Program.

COVERAGE	PPO Prescription Drug Plan (Administered by SilverScript)	HMO Prescription Drug Plan (Kaiser)
	Participating Pharmacy	**Copayment up to**
RETAIL PRESCRIPTION PROGRAM (30/60/90 day supply)		
Generic	\$5/\$10/\$10 copayment	\$15/\$30/\$45 copayment
Preferred Brand Name	\$15/\$30/\$30 copayment	\$15/\$30/\$45 copayment
Non-Preferred Brand Name	\$30/\$60/\$60 copayment	\$15/\$30/\$45 copayment
Specialty Drug	20% coinsurance Up to a \$250 copay max per fill, \$2,000 out-of-pocket maximum per calendar year	\$15/\$30/\$45 copayment
Insulin		
Covered Insulin Products	\$5/\$10/\$10 copayment	\$15/\$30/\$45 copayment
Diabetic Supplies		
Lancets, Strips and Meters	No copayment	\$15/\$30/\$45 copayment
MAIL ORDER PRESCRIPTION PROGRAM (30/60/90 day supply)	**SilverScript Mail Order**	
Generic	\$5/\$10/\$10 copayment	\$15/\$30/\$30 copayment
Preferred Brand Name	\$15/\$30/\$30 copayment	\$15/\$30/\$30 copayment
Non-Preferred Brand Name	\$30/\$60/\$60 copayment	\$15/\$30/\$30 copayment
Specialty Drug	Not Available	\$15/\$30/\$30 copayment
Insulin		
Covered Insulin Products	\$5/\$10/\$10 copayment	Not available through mail order
Diabetic Supplies		
Lancets, Strips and Meters	Not available through mail order	\$15/\$30/\$30 copayment

MEDICARE RETIREES

Table Comparison of EUTF's Prescription Drug Plans vs. a Standard Medicare Part D Plan

PLAN FEATURE	EUTF MEDICARE PART D PLAN				KAISER SENIOR ADVANTAGE PLAN
ANNUAL DEDUCTIBLE:	$0				
COPAYMENTS:	GENERIC	PREFERRED	NON-PREFERRED	INJECTABLES AND SPECIALTY	
RETAIL 30 DAYS	$5	$15	$30	20%	$15
RETAIL 90 DAYS	$10	$30	$60	20%	$45
MAIL ORDER 90 DAYS	$10	$30	$60	NOT A BENEFIT	$30
SPECIALTY:	$250 MAXIMUM COPAY PER FILL				
MAXIMUM ANNUAL OUT-OF-POCKET:	AFTER A PERSON HAS SPENT $4,850* IN ELIGIBLE OUT-OF-POCKET DRUG COSTS IN A YEAR, YOU QUALIFY FOR THE CATASTROPHIC COVERAGE. PLEASE REFER TO YOUR 2016 EVIDENCE OF COVERAGE BOOKLET.				

PLAN FEATURE	STANDARD CMS APPROVED MEDICARE PART D PLAN	
ANNUAL DEDUCTIBLE:	$360	
	COST OF COVERED DRUGS	
CO-INSURANCE:	YOU PAY:	MEDICARE PAYS:
UP TO $360	100%	0%
FROM $361 TO $3,309	25%	75%
FROM $3,310 TO $4,849	100%	0%
OVER $4,850	5%	95%
MAXIMUM ANNUAL OUT-OF-POCKET:	AFTER A PERSON HAS SPENT $4,850* IN ELIGIBLE OUT-OF-POCKET DRUG COSTS IN A YEAR, MEDICARE PAYS 95% OF THE DRUG COSTS FOR THE REMAINDER OF THE YEAR.	

*$4,850 subject to change annually per CMS

ALL RETIREES

Life Insurance (USAble Life) – EUTF & HSTA VB

Your retiree life insurance benefit is $2,235.

In addition, your retiree life insurance includes the following added benefits:

- Repatriation of remains benefit – this benefit reimburses an individual who incurs expenses related to transporting your remains back to a mortuary near your primary place of residence if you pass away 200 miles or more away from home. The reimbursement amount is 10% of your life insurance benefit or approximately $223.

Beneficiary changes: Contact USAble Life at (808) 538-8920 or toll free at 1-855-207-2021 if you would like to change your beneficiary. Changes will be effective upon receipt by USAble Life. You may download the beneficiary designation form from their website at www.usablelife.com/portal/eutf. Their office is located at 999 Bishop Street, Suite #2701, Honolulu, Hawaii 96813 and opens from 7:45 am – 4:30 pm Hawaii Standard Time, Monday through Friday, except State observed holidays.

SUMMARY OF BENEFITS

FOR EMPLOYEES OF

HAWAIIAN ELECTRIC INDUSTRIES, INC.
HAWAIIAN ELECTRIC COMPANY, INC.
HAWAII ELECTRIC LIGHT COMPANY, INC.
MAUI ELECTRIC COMPANY, LTD.

January 1, 2012

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INTRODUCTION

Welcome new employee! The Company provides a comprehensive benefits package providing flexibility and valuable protection for you and your family. Our benefits program has several features that provide you with choices to meet your personal needs:

- FlexPlan and Welfare Benefits
  - Health Benefits – medical, prescription drugs, vision/optical insurance and dental insurance
  - Life Insurance Benefits
  - Flexible spending accounts (FSA) – Healthcare and Dependent Care Accounts
- Disability benefits
- Time off benefits
- Miscellaneous benefits
- Retirement benefits

This guide will provide you with a summary of the benefits offered to employees. Review the information in this guide as well as the detailed plan materials available online via our **Human Resources (HR) System** called **HR Suite – Employee Self-Service** or in **myHR**, a link via our company intranet. As a new employee, you will be enrolling for your benefits electronically on HR Suite – Self Service.

Most benefits are provided through the purchase of insurance and employee assistance contracts. Certain benefits and company policies may be applicable to only certain classes of employees and may vary by company. The Company reserves the right, with or without prior notice, to amend or terminate any of the foregoing benefits and to reduce or otherwise change any Company contributions or limitations.

COLLECTIVE BARGAINING AGREEMENT (CBA)

For bargaining unit employees, benefits are provided via the CBA and Benefits Agreement in effect. To view these documents and to get more information, go to myHR at http://intranet/humanresources/default_eol.asp.

WHERE TO GET INFORMATION – HR Suite Employee Self-Service and myHR

Benefits plan information and web links to the various insurance carriers can be obtained on HR Suite on Employee Self-Service at https://prodorasso2.hawaiianelectric.net/sso/pages/login.jsp and Human Resources intranet site called "myHR" at http://intranet/humanresources/default_eol.asp.

For HR Suite, Employee Self-Service: (1) Open your web browser, e.g. Internet Explorer (IE), (2) Go to the Company Intranet: Under Links, select **HR Suite Login** (from home, go to https://MyHR.heco.com) (3) Enter your Login ID and password; (4) In the Navigator section (bottom-left), select "My Employee Self-Service" then (5) select "My Benefits" in the Personal Information section. Click on any plan name (underlined) in the Benefit Election section, then select link in the URL column for plan information or website.

FLEXPLAN

FlexPlan is a benefits delivery system that provides flexibility in selecting your benefits based upon your personal circumstances - Your age, marital status, your spouse or civil partner's employment, whether or not you have any dependent children, and your budget. FlexPlan allows you to design your own benefits package by choosing among various benefit options to meet your personal needs. The plan provides options for:

- Medical / Optical Insurance
- Dental Insurance
- Employee Life Insurance
- Dependent Life Insurance
- Accidental Death & Dismemberment Insurance
- Flex Reimbursement (Spending) Accounts – Health Care and Dependent Care Reimbursement Accounts

FlexPlan provides you with an allowance called **FlexCredits** to use towards purchasing your benefit selections.

- If you elect benefit coverage that costs less than the amount of your FlexCredits, the difference will be returned to you in your paycheck as taxable income.
- If you elect benefit coverage that costs more than the amount of your FlexCredits, you can contribute the difference through payroll deduction on a pre-tax basis.
  - The cost of the Dependent Life Insurance coverage will be deducted on an after-tax basis.

You will purchase your elected benefits and level of coverage at the applicable **FlexPrice**. Both the FlexCredit allowance and the benefits' FlexPrices are reflected as PAY PERIOD amounts and are applied each Flex pay period for 24 pay periods of the 26 pay periods in the year. Any difference will be deducted from your pay check (or added to your check if the cost is less than the FlexCredits).

The true cost or actual premium costs are not reflected in the FlexPlan. Periodically, you will receive a Total Compensation summary of the actual compensation and benefit costs that are provided by the Company on your behalf.

ELIGIBILITY AND ENROLLMENT INFORMATION

You are eligible to participate in FlexPlan if you are a regular full-time employee of the Company. Your coverage takes effect on the first of the month coincident with, or following, the date you become a regular full-time employee.

You can enroll your eligible dependents which includes your

- Spouse
- Civil Union Partner
- Dependent children and Civil Union children up to age 26
- Certified mentally or physically handicapped children who depend on you for support. Disability certification is required by the health care providers to continue coverage after age 19.

Dependent coverage takes effect when your coverage does. Your eligible dependents will be enrolled in the same plans that you select for yourself.

Your initial coverage elections will remain in effect for the rest of the plan year, unless you experience a status change. You will have the opportunity to review and change any of your elections for the next plan year during our annual Open Enrollment period, which is held each November.

DEFAULT COVERAGE

To enroll, complete the FlexPlan Election in **HR Suite within thirty days** of becoming a regular employee. If FlexPlan election is not completed by the deadline, you will be automatically enrolled in the following **Default Coverage**:

- HMSA CompMED medical option – Single coverage
- HDS Major Care dental option – Single coverage
- ½-times annual salary life insurance option

BENEFITS OPEN ENROLLMENT

Open enrollment is an annual event usually in November when make changes to your benefits for the upcoming year. Enrollment for will be done electronically through HR Suite Open Enrollment. During this time, you will can make medical plan changes, enroll or increase benefit levels (such as adding supplemental life insurance), adding eligible dependents, or enrolling in a flexible spending account.

WHEN YOU NEED TO ADD OR DELETE COVERAGE FOR YOUR DEPENDENT – STATUS CHANGE

After your initial enrollment, when can you make changes to benefit coverage? You can make changes during the open enrollment period or when you experience a status change.

When you experience a change in your family and must change your current benefit coverage, you must make these changes **WITHIN 30 DAYS OF THE DATE OF THE EVENT** in order to make the appropriate adjustments. Life events or status changes include the following:

- Family addition – Birth of your child / Adoption / Legal guardianship

- Change in your marital status – Marriage, Civil Union, Divorce or Legal separation
- Dependent attaining maximum age for coverage at age 26
- Death of a covered dependent
- Your Spouse or Civil Union Partner's change in Employment Status which results in losing benefit coverage

All benefit changes must be on HR Suite, Employee Self-Service. (1) Open your web browser, e.g. Internet Explorer (IE), (2) Go to the Company Intranet: Under Links, select **HR Suite Login** (from home, go to https://MyHR.heco.com) (3) Enter your Login ID and password; (4) In the Navigator section (bottom-left), select "My Employee Self-Service" then (5) select "My Benefits" in the Personal Information section. For assistance in navigating HR Suite, please contact your company's Human Resources office. For HECO and HEI employees, please call the HR Service Center at 543-4848.

HEALTH CARE BENEFITS

Your health care benefits provide quality medical, optical, dental and prescription drug coverage for you and your family.

MEDICAL INSURANCE

FlexPlan offers three medical plan options and the option to waive medical coverage:

- HMSA CompMED Plan
- HMSA Health Plan Hawaii Plan B*
- Kaiser Permanente Group HEI Plan
- Waive medical coverage

** If you elect HECO Health Plan Hawaii, you must designate a Health Center and a Primary Care Physician (PCP) for yourself and each dependent. After the initial enrollment, to change your PCP or health center, contact HMSA directly.*

All options cover medical, surgical and hospital services, as well as prescription drugs. Because each option provides benefits and services in a different way, it is important for you to understand how each plan operates and to consider your own medical needs when you are making your medical plan choice.

The Medical Comparison chart provides a summary of the key features of each plan. Refer to the individual medical plan brochures for details on each plan and a full description of the benefits. Be sure to review the exclusions of each plan carefully. Plan information can be found in HR Suite > My Employee Self-Service > My Benefits. Click on any plan name (underlined) in the Benefit Election section, then select link in the URL column for plan information or website.

WAIVING MEDICAL COVERAGE - If you have medical coverage through another company or entity, you can decline our medical coverage. Under the State of Hawaii Prepaid Health Care Act, all companies must provide medical coverage to all employees who work 20 or more hours a week. To waive coverage in HR Suite Benefits enrollment, check the "waive medical" box and complete a required State of Hawaii Waiver form to certify your coverage from another company or entity. To continue to waive medical, you must recertify during the open enrollment period which is usually in November.

PRESCRIPTION DRUG COVERAGE

Medication obtained with a prescription and dispensed by a licensed, participating provider are covered by the HMSA and Kaiser Plans. The plans offer limited mail order services for maintenance prescriptions. Refer to the respective Guide to Benefits brochures.

OPTICAL INSURANCE

If you elect medical coverage, you are automatically enrolled for optical coverage in the Vision Service Plan (VSP). Optical insurance is offered only with the medical plan and cannot be elected separately. Refer to the VSP brochure and informational material for details on the plan.

DENTAL INSURANCE

FlexPlan offers dental plan coverage from Hawaii Dental Service (HDS). Refer to the HDS brochure for details on the plan. If you have dental coverage through another source, you can decline dental coverage.

THINGS TO CONSIDER WHEN SELECTING YOUR HEALTH CARE PROVIDER

As you look at your health care options, consider:

- Which medical plan best meets your needs in terms of:
  - Services and supplies that are covered
  - Your choice of doctors and medical facilities
  - Convenience of care – Where are the providers located? What are their office hours?
  - Your out of pocket cost for services – deductibles, copayments, etc.
- Whether your health care expenses for you and your family have been low, moderate or high in the last few years. Compare your total expenses with the potential costs associated with FlexPlan.
- If your spouse has benefit coverage elsewhere. If so, you should compare the benefits and costs to determine which plan best cover your needs.
  - Your ability to change your mind.

LIFE INSURANCE BENEFITS

The Company provides financial security for your dependents or other beneficiaries in the event of your death. Coverage for your dependents is also available.

EMPLOYEE GROUP TERM LIFE INSURANCE

FlexPlan provides five levels of group term life insurance coverage:

1. ½ times annual salary
2. 1-½ times annual salary
3. 2-½ times annual salary
4. 3-½ times annual salary
5. $50,000 flat amount

All employees are required to enroll in group life insurance coverage.

WHAT DETERMINES THE ANNUAL SALARY AMOUNT? The annual salary is based on your October 1st salary prior to the open enrollment period for the benefit year beginning January 1 of the following year or your annual salary upon hire or first eligibility. Your group life insurance coverage amount will not change even if your salary changes during the year. The maximum coverage is $750,000.

IMPUTED INCOME FOR INSURANCE OVER $50,000 - Under IRS rules, the value of life insurance coverage over $50,000 will be treated as imputed income to you and is subject to federal taxes. This amount varies based on your age and the coverage amount, and is added to your taxable income. This amount will be reflected on your pay stub.

FLEXCREDITS FOR LIFE INSURANCE - An employee life insurance option must be selected. The minimum amount that must be elected is ½ times your annual salary. The company will provide enough FlexCredits for you to purchase life insurance equal to:

- 1-1/2 times your annual salary for bargaining unit employees
- 2 times your annual salary for management employees

DESIGNATING A BENEFICIARY - Should you die for any cause (natural or accident) while you are covered under the employee life insurance plan, your designated beneficiary will receive the amount you have selected in a lump sum. Complete the beneficiary designation form. You may include primary and contingent beneficiaries.

Since the employee life insurance coverage is group term life insurance, if you leave the company, your coverage will stop unless you elect to convert it to an individual policy. Some limitations or restrictions may apply to the life insurance options. A full description of the options, limitations and exclusions can be found in the CIGNA Certificate of Insurance.

DEPENDENT GROUP TERM LIFE INSURANCE

FlexPlan provides two levels of coverage levels for voluntary group dependent term life insurance coverage that will cover your eligible dependents:

- **$10,000** for a spouse / **$2,000** for each dependent child
- **$25,000** for a spouse / **$2,000** for each dependent child

You are automatically the beneficiary for your dependents' life insurance coverage. If you elect coverage and your spouse or a dependent child dies, you will receive the coverage amount in a lump sum.

Life insurance coverage for your spouse cannot exceed the amount of your own employee life insurance coverage. The cost for dependent life insurance coverage will be deducted on an after-tax basis.

Some limitations or restrictions may apply to the dependent life insurance options. A full description of the options, limitations and exclusions can be found in the CIGNA Certificate of Insurance.

ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE (AD&D)

FlexPlan offers four coverage levels for voluntary AD&D insurance for you and your eligible dependents:

1. ½ times annual salary
2. 1-½ times annual salary
3. 2-½ times annual salary
4. 3-½ times annual salary

The AD&D insurance options provide coverage for accidental death, dismemberment or loss of speech or hearing. The maximum coverage is $500,000. If you select employee coverage, your coverage amount will be a multiple of your salary. If you select family coverage, your dependents' benefit will be a percentage of your coverage amount as follows:

IF YOUR FAMILY INCLUDES:	THEIR BENEFIT AMOUNT IS:
▪ Spouse only	60% of your benefit amount
▪ Spouse and children	
○ Spouse	50% of your benefit amount
○ Each child	10% of your benefit amount
▪ Children only (each child)	15% of your benefit amount

Your AD&D benefit is payable in addition to your employee life insurance benefit or benefits from any other coverage. Should you leave the Company, your coverage will stop unless you elect to convert it to an individual policy. Some limitations or restrictions may apply to the AD&D insurance. A full description of the options, limitations and exclusions can be found in the CIGNA Certificate of Insurance.

THINGS TO CONSIDER WHEN CHOOSING LIFE INSURANCE COVERAGE

As you decide on your life insurance needs, you may want to consider:

- Your financial needs and goals. Compare your financial resources with your obligations and goals, looking at:
  - Your current financial obligations relating to your home, living expenses, etc.
  - commitments to raising children, paying for their education, or for providing for elderly parents or relatives
- The cost and benefits of other insurance coverage available to you
- Your ability to change your mind. You can increase your employee group term life insurance coverage amount by only one coverage level during the Open Enrollment period each year.

FLEX REIMBURSEMENT ACCOUNTS *(otherwise known as flexible spending accounts)*

The Flex reimbursement accounts (or spending accounts) take advantage of current tax laws that give you the opportunity to pay for certain health care or dependent care expenses with pre-tax dollars. **THESE ARE TWO SEPARATE ACCOUNTS AND THE AMOUNTS ARE NOT INTERCHANGEABLE.** Be advised that remaining amounts will be forfeited. See below for details about each account.

Estimate the amount(s) you will spend on unreimbursed (1) health care and/or (2) dependent care expenses for you and your eligible dependents. After determining the amount(s), you will direct the company to deduct a proportional amount on a pre-tax basis from your paycheck each pay period. You must indicate exactly how much you want allocated to either or both accounts. The amount shown on the enrollment form is a per pay period amount. If your spouse also contributes to reimbursement accounts, review the amounts so that you do not exceed the Internal Revenue maximum annual amounts. Consult with your financial advisor or tax consultant.

Total Administrative Services Co. (TASC) administers this program. You can view your account online 24/7 at https://www1.tasconline.com.

HEALTH CARE REIMBURSEMENT ACCOUNT

You may elect to reduce your salary by an amount which you estimate you will incur for health care expenses which are not covered by your health plan. Eligible expenses are governed by rules established by the Internal Revenue Service. Review IRS Publication 502 - Medical & Dental Expenses - for a list of eligible and ineligible expenses. Go to www.tasconline.com.

A VISA TASC debit card will be issued to you upon your initial enrollment. Use the card when you pay your doctor, hospital, pharmacy, or other medical service providers for payment. Refer to the brochure online for details on the allowable reimbursements. Future contributions made in succeeding years will be added to your debit card. Please note that as of January 1, 2011, over-the-counter drugs are no longer reimbursable.

The maximum salary reduction for the health care reimbursement account is **$6,000 per plan year**. For more information, go to HR Suite Employee Self-Service for brochures or log on to www.tasconline.com.

DEPENDENT CARE REIMBURSEMENT ACCOUNT

You may elect to reduce your salary by an amount that you estimate you will incur for qualified expenses for **day care of your dependent** claimed on your federal income tax. This account cannot be used for your dependent's health care expenses. Expenses must be incurred to enable you (**and** your spouse, if you are married) to work. Review IRS Publication 503 (Child and Dependent Care Expenses) for information regarding child and dependent care expenses and eligibility.

QUALIFIED TAX DEPENDENTS are:

- Children under the age of **13**
- Dependents that becomes physically or mentally incapable of caring for themselves.

The **MAXIMUM SALARY REDUCTION** per Plan Year may not exceed the least of the following:

- $5,000 for a married couple filing jointly; or a single-parent household
- $2,500 if you are married but file taxes separately from your spouse
- Your taxable compensation
- Your spouse's earned income, if you are married.

IMPORTANT THINGS TO CONSIDER WHEN SETTING UP YOUR FLEX REIMBURSEMENT ACCOUNT

- The health care reimbursement and dependent care reimbursement accounts are two separate accounts and the allocated amounts cannot be interchanged or transferred between accounts. It is better to underestimate then overestimate the amount that you will need for reimbursement.
- Contributions to a Health Care and Dependent Care reimbursement account may be changed during the year if you incur a Status Change involving the birth or adoption of a child, marriage, civil unions or divorce. Generally, contribution changes should be consistent with the change in the family status.
- The **COMBINED** maximum contribution for both the health care and dependent care reimbursement accounts cannot exceed **$6,000** per year.
- When enrolling in the plan, payroll deductions are made bi-monthly for FlexPlan deductions.
- The **PLAN YEAR** runs from January 1st (or your eligibility date) through December 31st. There is a grace period in the new plan year where you will be able to use any remaining amounts for the previous plan year. You will be able to use the remaining amounts for eligible health care services up to March 15. All claims for reimbursement must be filed by March 31.
- **REIMBURSEMENT** and **FORFEITURES** - Reimbursement for expenses incurred may be filed up to March 31 of the following year. If you terminate your employment, your reimbursement will be based on services rendered when you were an active employee. Any amounts remaining in your account(s) after this date will be forfeited as required by federal tax law.

DISABILITY BENEFITS

Income protection benefits provide the security of an income if a disability keeps you from working include:

- Sickness Leave
- Temporary Disability Insurance (TDI)
- Long-Term Disability Insurance (LTD)
- Workers Compensation
- Long-Term Care Insurance (LTC) (available to management employees)

SICKNESS LEAVE BENEFIT

You are eligible for sick leave benefits for non-occupational illnesses and injuries that render you unable to work according to the following schedule:

YEARS OF SERVICE	SICK LEAVE BENEFIT	DATE AWARDED
Date of hire	**40 hours**	Upon hire
1 year	**40 hours**	1 year anniversary (80 hours total)
2 years	**80 hours**	January 1
3 to 6	**128 hours**	
7 to 7	**256 hours**	
10 years and over	**384 hours**	

TEMPORARY DISABILITY INSURANCE (TDI)

Based on statutory requirements, TDI benefits are payable at 58% of your average weekly wage up to a maximum weekly benefit amount determined annually by the State Disability Compensation Division. If you meet the eligibility requirements for TDI, you will begin receiving TDI payments:

- After all accrued company sick leave benefits have been exhausted (but not earlier than the eighth calendar day).
- After seven consecutive (calendar) days of disability if you do not have any accrued sick leave benefits,

Combined coverage under the Sickness Leave Benefits and the State Temporary Disability Insurance Act shall not exceed twenty-six weeks.

LONG TERM DISABILITY INSURANCE (LTD)

LTD benefits will begin after you have exhausted all of your accrued sick leave, TDI and vacation benefits. Generally, LTD begins after you have been totally disabled for more than 180 days, and continue until you reach age 65, as long as you remain totally disabled under the terms of the plan.

The plan works with other disability benefits for which you qualify to provide a benefit:

- For bargaining unit employees - **60%** up to Lineman Thereafter Rate.
- For management employees - **65%** of base salary, up to a maximum monthly benefit of $15,000.

Benefits are based on your earnings at the time of disability minus Other Income Benefits including any statutory, company and social security benefits. Refer to the MetLife Certificate for details about the plan.

WORKERS COMPENSATION

Workers Compensation benefits are available to all employees for injuries arising out of, and in the course of employment. These benefits are provided in accordance with the Hawaii Workers' Compensation Law. Compensation under the statute includes medical and rehabilitation benefits, income and indemnity benefits in cases of disability or death, and allowance for funeral and burial expenses.

LONG TERM CARE INSURANCE (LTC)

ONLY MANAGEMENT EMPLOYEES ARE ELIGIBLE FOR THIS BENEFIT.

The Company will provide management employees with LTC insurance and will fund a basic level benefit that will provide $1,000 per month for up to two years towards the cost of the confinement in a long-term care facility. Supplemental benefits for yourself and coverage for your spouse and other family members will become available at your cost.

WHEN WILL YOU BE ELIGIBLE TO ENROLL? The annual open enrollment is in July. If you are hired on July 1 to June 30, you will be eligible for the company provided basic coverage on August 1. You will be notified by your Benefits Office or Human Resources Dept. to attend the LTC meeting to discuss these benefits.

TIME OFF BENEFITS

Time off benefits provide time off away from work for personal and family activities. Time off benefits includes the following:

- Holidays
- Vacation Leave
- Bonus Vacation
- Family and Medical Leave Act (FMLA) and Hawaii Family Leave Law (HFLL)
- Jury Duty Leave
- Bereavement (Funeral) Leave

HOLIDAYS

You are immediately eligible for holiday pay. The following days are observed as holidays:

New Years Day	Discoverers Day *
Presidents Day *	Veterans Day *
Good Friday *	Thanksgiving Day
Memorial Day	Christmas Eve (half day)
Kamehameha Day *	Christmas Day
Independence Day	New Year's Eve (half day)
Admission Day*	General Election Day (during even years)
Labor Day	

*FLOATING HOLIDAYS

ONLY MANAGEMENT EMPLOYEES ARE ELIGIBLE TO PARTICIPATE.

A floating holiday (noted with *asterisks above) is a designated company holiday that a management employee voluntarily elects to work in return for a different day off. A management employee may choose to work on these holidays in exchange for another day off. Supervisors must approve all floating holiday arrangements in view of company operations and other business considerations.

VACATION LEAVE

You are eligible for vacation benefits in accordance with the following schedule:

YEARS OF SERVICE	VACATION AMOUNT
6 months*	40 hours
1 year	40 hours
2 years through 4 years	80 hours
5 years through 14 years	120 hours
15 years through 24 years	160 hours
25 years and over	200 hours

Vacation hours are accrued each pay period after the first anniversary. Bargaining unit employees will be eligible for 80 hours of vacation after their first anniversary.

*For management employees only.

BONUS VACATION

Bonus vacation is granted to employees who use a limited amount of sick leave over a specified time period. You will earn 1 day of bonus vacation for each year you take 40 hours or less of sick leave in a calendar year. You must complete one year of service before qualifying for the bonus vacation.

FAMILY AND MEDICAL LEAVE ACT (FMLA) & HAWAII FAMILY LEAVE LAW (HFLL)

FMLA allows for up to 12 weeks of unpaid family or medical leave per year. Leave may be taken:

- to care for a newborn child
- to assist with the placement of an adopted child or foster child
- to attend to your own serious health condition
- to care for a family member with a serious health condition

Generally, you have the right to be returned to the same position or an equivalent position at the conclusion of your leave. Your health coverage will continue for the duration of your leave at the same level of coverage that would have been provided if you had been continuously employed.

You must have been employed (by the same employer) for at least 12 months and performed a minimum of 1,250 hours of service during the 12 month period preceding the first date of the leave. Under HFLL, new employees are eligible for up to 4 weeks of leave after 6 consecutive months of service. HFLL does not cover leaves for the employee's serious health condition.

Any available accrued paid leave such as vacation must be used prior to going on unpaid FMLA or Hawaii Family Leave Law status. Spouses who are eligible for FMLA and are employed by the same employer may be limited to a combined total of 16 weeks of leave during any 12 month period. Refer to the Family-Medical Leave Act policy for details on the plan.

BEREAVEMENT (FUNERAL) LEAVE

If a member of your immediate family dies, you are eligible for time off with pay as listed below:

Husband or wife of the employee	40 hours
Child of the employee	40 hours
Father or mother of the employee	24 hours
Father-in-law or mother-in-law of the employee	24 hours
Sister or brother of the employee	16 hours
Grandparents of the employee	16 hours

You are immediately eligible for bereavement leave.

FOR BARGAINING EMPLOYEES ONLY - Per the collective bargaining agreement, when the death occurs outside the State of Hawaii, benefits will be paid according to the above schedule. If you do not leave the State of Hawaii, the employee will be given 8 hours time off without loss of compensation if the employee is on a 5/8 schedule, or 10 hours if you are on a 4/10 schedule.

JURY DUTY LEAVE

Employees serving as jurors before any court or governmental body having the power to summons are allowed full pay for all time lost from work for such duty. You are immediately eligible for jury duty leave.

MISCELLANEOUS BENEFITS

These benefits include the following:

- Business Travel Accidental Death & Dismemberment Insurance
- Employee Assistance Program (EAP)
- City Bus Pass Program (HECO/HEI employees only)
- Voluntary Educational Assistance Program
- Adoption Expense Reimbursement
- PATCH Child Care Referral Program

BUSINESS TRAVEL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE (AD&D)

The company provides business travel AD&D insurance coverage if you are a full-time regular employee. Refer to CIGNA Certificate of Insurance on HR Suite Employee Self-Service.

EMPLOYEE ASSISTANCE PROGRAM (EAP)

EAP is a confidential short-term counseling service that is designed to provide employees with basic skills and understanding needed to deal with the stress and tension caused by careers and family concerns. EAP provides up to six sessions per employee per year. You are immediately eligible to participate in the Employee Assistance Program. Refer to the EAP brochure on HR Suite Employee Self-Service for details on the plan. Services are provided by Employee Assistance of the Pacific LLC.

CITY BUS PASS PROGRAM (HECO/HEI employees only)

To encourage and support HECO/HEI employees to use public transportation, the company will provide the cost of a city bus pass. You are immediately eligible for the bus pass reimbursement. Restrictions may apply should you become eligible to receive on-site parking.

VOLUNTARY EDUCATIONAL ASSISTANCE (VEA) PROGRAM

The VEA program is designed to provide reimbursement for part or all of the cost of education that enhances job performance or is otherwise related to the business of the company. Courses must be taken outside of work hours at the initiative of the employee. You are eligible for the Voluntary Educational Assistance Program (VEAP) upon attaining regular status. Refer to the VEAP summary plan description for details.

ADOPTION EXPENSE REIMBURSEMENT

The Adoption Expense reimbursement program provides for reimbursement of up to $2,000 of covered expenses (per child) to employees who legally adopt a child under age 18. Expenses related to assume legal guardianship of one or more children under age 18 are also covered. You are eligible to participate in the Adoption Expense reimbursement program after six months of service.

PATCH CHILD CARE REFERRAL PROGRAM

A program designed to assist in locating, selecting and managing qualified child care providers for your children. This referral service is offered on a shared cost basis. You are immediately eligible for the PATCH Child Care referral program.

RETIREMENT BENEFITS

Retirement benefits include pension and retirement income and certain health and life insurance benefits from three plans.

- Retirement Plan for Employees of Hawaiian Electric Industries, Inc. & Participating Subsidiaries
- Hawaiian Electric Industries Retirement Savings Plan (HEIRS)
- Postretirement Welfare Benefits Plan for Employees of Hawaiian Electric Company, Inc. & Participating Employers

RETIREMENT PLAN FOR EMPLOYEES OF HAWAIIAN ELECTRIC INDUSTRIES, INC. & PARTICIPATING SUBSIDIARIES

This is a non-contributory defined benefit plan provided by the Company which means that the company pays the full-cost of this plan.

You will become **100% VESTED AFTER 5 YEARS OF VESTING SERVICE** which means that should you leave the Company after completing 5 years of vesting service, you will be entitled to receive a pension benefit upon meeting the retirement provisions of the plan. Your retirement benefits are calculated at Normal retirement age at age 65.

FOR MANAGEMENT EMPLOYEES HIRED BEFORE MAY 1, 2011

Your monthly pension benefit is calculated at normal retirement age (on a single life basis) and computed by multiplying:

- **2.04%** times your total years of Credited Service (the product not to exceed 67%), times
- Your average monthly Compensation received during the 36 consecutive month period within the last 10 years prior to your termination of employment or retirement which would produce the highest monthly average Compensation.

FOR BARGAINING UNIT EMPLOYEES HIRED BEFORE MAY 1, 2011

The amount of your monthly benefit has been negotiated between your employer and the IBEW. Your monthly pension benefit is calculated at normal retirement age (on a single life basis) and computed by multiplying:

1.83% times your total years of Credited Service (the product not to exceed 60%), times

- Your monthly base rate of pay at your date of termination of employment or retirement.

FOR MANAGEMENT EMPLOYEES HIRED ON OR AFTER MAY 1, 2011

Your monthly pension benefit is calculated at normal retirement age (on a single life basis) and computed by multiplying:

- **1.50%** times your total years of Credited Service times
- Your final average Compensation received (during the highest 36 consecutive month period within the last 10 years prior to your termination of employment or retirement.

FOR BARGAINING UNIT EMPLOYEES HIRED ON OR AFTER MAY 1, 2011

The amount of your monthly benefit has been negotiated between your employer and the IBEW. Your monthly pension benefit is calculated at normal retirement age (on a single life basis) and computed by multiplying:

- **1.25%** times your total years of Credited Service times
- Your monthly pay (using your final pay rate).

Refer to the Summary Plan Description for details which is located on HR Suite Employee Self-Service.

HAWAIIAN ELECTRIC INDUSTRIES RETIREMENT SAVINGS PLAN (HEIRS) – 401(k) PLAN

The HEIRS plan is a 401(k) plan that provides the employee to voluntarily contribute on a pre-tax basis (salary reduction) from **1.0%** to **30%** of your compensation in increments of 0.5%. In 2012, the annual maximum contribution amount is $16,000.

For employees who have attained age 50 during the year, and who expect to reach the annual maximum for regular contributions by the end of the year, may make additional "catch-up" contributions. For purposes of determining your eligibility, you are treated as attaining age 50 on January 1 of the year containing your 50th birthday. Eligible employees can contribute up to an additional **1.0%** to **45%** in increments of 0.5% of your compensation, up to an annual maximum, as a catch-up contribution. In 2012, the annual maximum contribution amount is $5,500.

Your contributions are always **100% vested.**

If you receive a distribution from a qualified retirement plan from another employer or if you have a conduit IRA, you may roll over these amounts into the plan.

YOU ARE ELIGIBLE TO PARTICIPATE in the Plan on the day you become a regular, full-time or part-time employee with the company. Bargaining unit probationary employees are not eligible until they become regular full-time employees.

COMPANY MATCHING CONTRIBUTION FOR EMPLOYEES HIRED ON OR AFTER MAY 1, 2011

Employees hired on or after May 1, 2011 are eligible for a company matching contribution based on the following:

- **50%** match for the first **6%** of your deferred contributions.
  - If you defer more than 6%, an annual true-up will be made after the close of the year.
- Vesting for company match based on schedule below:
  - If you quit before 6 years, you will receive only a portion of your match.

Years of Vesting Service	Vested Percentage
Less than 2 Years	0%
2 Years	20%
3 Years	40%
4 Years	60%
5 Years	80%
6 or more Years	100%

Important note: Employees who were **hired before May 1, 2011** and are subsequently rehired are **NOT** eligible for the company matching contribution. Your retirement benefits will be provided under the Retirement Plan for Employees of Hawaiian Electric Industries, Inc. and Participating Subsidiaries based on certain criteria such as original date of hire of a participating subsidiary. Check with your company's HR Dept. or for HECO/HEI employees, call the HR Service Center at 543-4848.

Once you are eligible to participate in the plan, your employment information will be transmitted to Fidelity Investments Institutional Retirement Operations Company (FIIOC). Fidelity Investments is the plan's record keeper, service provider and Trustee. All transactions including enrollment, investment mixes, exchanges, loans, withdrawals and distributions are processed directly with them.

FIIOC will prepare a personalized enrollment packet which will include information on the plan features, rollover instructions, and provide information on how to enroll in the plan and to designate your beneficiary. If you do not receive the enrollment packet within 5 weeks of your eligibility, contact the HECO HR Service Center (HECO and HEI employees) or HELCO or MECO Human Resources Office for assistance. You may also call Fidelity at **1-800-835-5098** to get an enrollment kit.

Should you have any questions about your eligibility, contact Fidelity at **1-800-835-5098**. Information is also available on their website at www.401k.com and logging into NetBenefits. Your social security number is your initial account number. You will set up a personal identification number (PIN) for security purposes. Refer to the Summary Plan Description for details located on HR Suite Employee Self-Service.

POSTRETIREMENT WELFARE BENEFITS

If you are a full-time regular employee, retire from the company, meet the eligibility requirements, and eligible to receive a pension benefit under the HEI Retirement Plan, you may be eligible for other postretirement welfare benefits. This includes medical coverage Pre-Medicare benefits (before age 65) and Post-Medicare benefits (post 65) for medical, Medicare supplemental medical, prescription drugs, vision, dental, and group term life insurance.

Refer to the Summary Plan Description for details located on HR Suite Employee Self-Service.

FOR “HOW TO” GUIDES – Go to HR Suite – Employee Self-Service or myHR

myHR – Go to the company intranet page, click on tab marked as Links and a drop down menu will appear, select myHR. On the first page, on the right side of the page is the “How to Guides for Employees”. See next page.

HR Suite – For Benefit and plan information can be found in HR Suite > My Employee Self-Service > My Benefits. Click on any plan name (underlined) in the Benefit Election section, then select link in the URL column for plan information or website.

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What's News?

Collective Bargaining Agreement - HECO
Click here for Current Bargaining Agreement 2011 - 2013 [06/14/11]

Collective Bargaining Agreement - HELCO
Click here for Current Bargaining Agreement 2011 - 2013 [06/21/11]

Collective Bargaining Agreement - MECO
Click here for Current Bargaining Agreement 2011 - 2013 [06/21/11]

Current IBEW Benefit Agreement
Click here for Current IBEW Benefit Agreement PDF File

Click here for Benefit Agreement Extension PDF File [03/10/11]

Manager, Enterprise Project Management Knowledge
Message from Rick Houck:
One of our biggest challenges of our strategic plan is carrying out numerous major projects, infrastructure upgrades and complex business process changes over the coming years. This will require an increased rigor in project execution, project prioritization to manage our scarce resource, and a new level of transparency of our projects. We plan to do this by giving tools, training and standard processes to those of you who lead and work on projects.

Joining our leadership team, **Greg Colbert** has accepted the position as **Manager, EPM Knowledge**, effective July 11, 2011. Read more... [07/12/11]

Supervisor On-Line

Visit the **Supervisor On-Line Homepage** and watch the 2008-2009 Affirmative Action Plan presentation! [02/11/09]

Civil Treatment Quiz for Supervisors:
Take the latest Civil Treatment Challenge for Supervisors! [08/23/05]

Effective May 1, 2005, a revised *Loss of License Policy* is in effect. **Click here** to learn more about the important part you play in its implementation.

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Benefits

Retirement Plan

- 2010 Annual Funding Notice
- 2010 Notice of Benefit Restrictions
- How to Use PREpare

Benefit Changes

- Ratified Collective Bargaining Agreement Presentation
- Bargaining Unit Q & A
- Management Employee Q & A

How to Guides for Employees

- Benefit Plan Brochures Access Guide
- New Hire Guide: FT-Regular
- New Hire Guide: Probationary/Temporary/Part-Time
- Guide to Change Marital Status
- Guide to Adding a New Born

Favorite Picks

- Accident Prevention Manual (APM)
- Carpool Bulletin Board
- Collective Bargaining Agreement (CBA)
- DARS
- Ellipse Homepage
- Employee Discounts (ITS Website)
- Employee Discounts (Purchasing Division Website)
- Employee Recognition Program (Ho'omaika'i)
- EthicsPoint Homepage
- Forms
- General Information Manual (GIM)
- HR Suite Login
- Information Resource Policies
- Requesting Family and Medical Leave (FMLA)
- Supervisor On-Line (SOL)
- Emergency Preparedness Employee and Family Education packet

Feedback

Hungry for something not on our menu? Tell us what you're craving for by e-mailing us at HRServiceCenter@heco.com

Updated Tue Feb 23 2010;
Page Accessed 195996 times since Tue Mar 2 2004; **For Internal Use Only** See Terms of Use;

Summary of Changes to Benefit Agreement
Duration January 1, 2011 to October 31, 2014

I. Retirement Benefit

	Components	COLA	Earliest Retirement	Full Retirement	Early Retirement Factor Range
Hired before 5/1/2011 (existing benefit)					
Defined Benefit Plan No Change	Credited Svc x 1.83% (maximum 60%) x Final Pay[1]	yes	Age 50 + 15 YOS[2]	Age 60 + 5 YOS[2]	70% at age 50 to 100% at age 60
Hired on or after 5/1/2011					
Defined Benefit Plan Reduced Benefits	Credited Svc x 1.25% (no maximum) x Final Pay[1]	no	Age 55 + 20 YOS[2]	Age 62 + 20 YOS[2]	79% at age 55 to 100% at age 62
New Defined Contribution Plan	• 50% match on first 6% of Deferred compensation • Vesting for the match, 6-year graded schedule (20% increments from years 2 through 6)				

[1] Final Pay = Base monthly pay on date of termination
[2] YOS = Years of Service

II. Post-Retirement Welfare Benefits (Health and Life Insurance Benefits upon Retirement)

	Eligibility	Employee Contribution Schedule	Coverage of Spouse & Dependents	Group Life Insurance, $20,000
Hired before 1/1/1999				
Retire by 12/31/2011	No Change	No Change	Yes	Age 50 & 20 YOS
Retire on or after 1/1/2012	Age 50 & 20 YOS	No company contribution for less than 20 YOS	Yes	Age 50 & 20 YOS
Hired 1/1/1999 to 4/30/2011				
Retire by 12/31/2011	No Change	No Change	Yes	Age 50 & 20 YOS
Retire on or after 1/1/2012	Age 50 & 20 YOS	No company contribution for less than 20 YOS	Yes	Age 50 & 20 YOS
Hired on or after 5/1/2011				
	Age 55 & 20 YOS	No company contribution for less than 20 YOS	No	Age 55 & 20 YOS

YOS = Years of Service

III. Medical Benefit Contributions

Employee Contribution per Pay Period		**Single**	**Single Parent**	**Emp+1**	**Family**
2011	PPP/K/HPH	$7.50	$15	$22.50	$30
2012	CM / K	$8.50	$17	$25.50	$34
	HPH	$30	$55	$75	$100
2013	CM / K	$9.50	$19	$28.50	$38
	HPH	$35	$65	$85	$105
2014	CM / K	$10.50	$21	$31.50	$42
	HPH	$40	$70	$90	$110

PPP = HMSA Preferred Provider Plan
CM = HMSA CompMed
K = Kaiser
HPH = HMSA Health Plan Hawaii

IV. Medical Benefit Plan Changes

Changing from HMSA Preferred Provider Plan to HMSA CompMed A

Medical Plan	HMSA PPP (Preferred Provider Plan)		HMSA CompMed A[3]	
	Participating Provider	*Non-Participating Provider*[2]	*Participating Provider*	*Non-Participating Provider*[2]
CHOICE OF DOCTOR OR FACILITY	Unlimited. Using Participating Providers increases insurance coverage		Unlimited. Using Participating Providers increases insurance coverage	
DEDUCTIBLE (annual)	**$100** per person[1]; **$300** per family[1]		**$100** per person; **$300** per family	
OUT-OF-POCKET LIMIT	**$3,000** per person; **$9,000** per family		**$3,000** per person; **$9,000** per family	
LIFETIME MAXIMUM	Unlimited		Unlimited	
➲**Office visits**	**20%** of eligible charges (EC)	**30%** of eligible charges (EC) after annual deductible	$14 + Tax after annual deductible	$14 + Tax after annual deductible, subj. to non-elig. chg
➲**Hospital visits**	**20%** of EC	**30%** of EC after annual deductible	$20 + Tax after annual deductible	$20 + Tax after annual deductible, subj. to non-elig. chg
➲**Surgery**	**20%** of EC	**30%** of EC after annual deductible	**20%** of EC after annual deductible	**20%** of EC after annual deductible, subj. to non-elig. chg
➲**Room & Board**	**20%** of EC based on semi-private room rate	**30%** of EC after annual deductible based on semi-private room rate	**20%** of EC based on semi-private room rate after annual deductible	**20%** of EC based on semi-private room rate after annual deductible, subj. to non-elig. chg.
➲**In-patient ancillary**	**20%** of EC	**30%** of EC after annual deductible	**20%** of EC after annual deductible	**20%** of EC after annual deductible, subj. to non-elig. chg.
DIAGNOSTIC LAB, X-RAY & RADIOTHERAPY	In-patient - **20%** of EC Out-patient - **20%** of EC	In-patient – **30%** of EC after annual deductible Out-patient - **30%** of EC after annual deductible	LAB In-patient – **20%** of EC after annual deductible Out-patient – None after annual deductible X-RAY In-patient – **20%** of EC after annual deductible Out-patient - **20%** of EC after annual deductible RADIOTHERAPY In-patient – **20%** of EC after annual deductible Out-patient - **20%** of EC after annual deductible	LAB In-patient – **20%** of EC after annual deductible, subj. to non-elig. chg. Out-patient – None after annual deductible, subj. to non-elig. chg. X-RAY In-patient – **20%** of EC after annual deductible, subj. to non-elig. chg. Out-patient - **20%** of EC after annual deductible, subj. to non-elig. chg. RADIOTHERAPY In-patient – **20%** of EC after annual deductible, subj. to non-elig. chg. Out-patient - **20%** of EC after annual deductible, subj. to non-elig. chg.
EMERGENCY CARE SERVICES	**20%** of EC for Emergency Room Facility	**20%** of EC, not subject to annual deductible for Emergency Room Facility	**$100 + Tax** for Emergency Room Facility after annual deductible	**$100 + Tax** for Emergency Room Facility after annual deductible, subj. to non-elig. chg.
AUTOMOBILE/ AIR AMBULANCE within State of Hawaii	**20%** of EC after annual deductible	**30%** of EC after annual deductible	**20%** of EC after annual deductible	**20%** of EC after annual deductible, subj. to non-elig. chg.

Changing from HMSA Preferred Provider Plan to HMSA CompMed A (continued)

HOME HEALTH CARE (Services received from qualified home health agency)	No charge; up to 150 visits per calendar year	**30%** of EC after annual deductible; up to 150 visits per calendar year	**20%** of EC; up to 150 visits per calendar year after annual deductible	**20%** of EC; up to 150 visits per calendar year after annual deductible, subj. to non-elig. chg.
HOSPICE	None	Not Covered	None	None
Special HMSA Benefits	Annual Health Risk Assessment, "HealthPass" by contracted HealthPass provider	Not covered	Annual Health Risk Assessment, "HealthPass" by contracted HealthPass provider	Not covered
WELL CHILD CARE	No charge through age 21	30% of EC through age 21	No charge through age 21	No charge through age 21

[1]Applies to services found under the "Other Medical Services and Supplies" benefit category of the Guide to Benefits and for services from Non-Participating providers only.
[2] Non-Participating physicians are not required to abide by HMSA's eligible charge guidelines. You will be responsible for any charges exceeding the eligible charges & the plan's co-payments & deductibles.
[3]CompMed A modified with PPP deductible and CompMed B out-of-pocket limits.

This is only a summary of some of the medical plan features and does not fully describe your benefit coverage. For details of your coverage, exclusions and plan terms, refer to the medical plan brochures. The Plan Certificates or Guide to Benefits, and Service Agreements are legal binding documents between HMSA and its members. In the event of ambiguity or a conflict between this summary & the actual provisions of the plan, the Plan Certificate or Service Agreement will govern.

Changes to Kaiser and Changes to HMSA Health Plan Hawaii

Medical Plan	**Kaiser HMO**	**2012 Changes**	**HMSA HPH (Health Plan Hawaii)**	**2012 Changes**
OUT-OF-POCKET LIMIT	**$1,750** per person; **$5,250** per family (3 or more)	**$2,500 person; $7,500 per family**	**$1,750** per person; **$5,250** per family	**$2,500 person; $7,500 per family**
LIFETIME MAXIMUM	None		Unlimited	
➲**Office visits**	**$20** per visit		**$20** per visit	
➲**Hospital visits**	No charge		No charge	
➲**Surgery**	In-patient - No charge Outpatient & Procedures- **$20** per visit		No inpatient professional charge. **$20** outpatient professional charge	
➲**Room & Board**	**$100** per admission	**$75 per day**	**$100** per admission and no charge, thereafter based on semi-private room rate at selected hospitals	**$75 per day**
➲**In-patient ancillary**	No charge		No charge (Included with Room & Board $100 per admission)	
DIAGNOSTIC LAB, X-RAY & RADIOTHERAPY	**$20** per department per day		No charge with office visit	**$20 per lab/x-ray**
	At a facility within the			

IV. Addition of Civil Union Partners (effective 1/1/2012)
- Civil Union partners of active employees may be covered under medical, dental, vision and dependent life insurance
- Civil Union partners of retirees may be covered under Postretirement Welfare Benefit Plan for eligible employees hired before May 1, 2011